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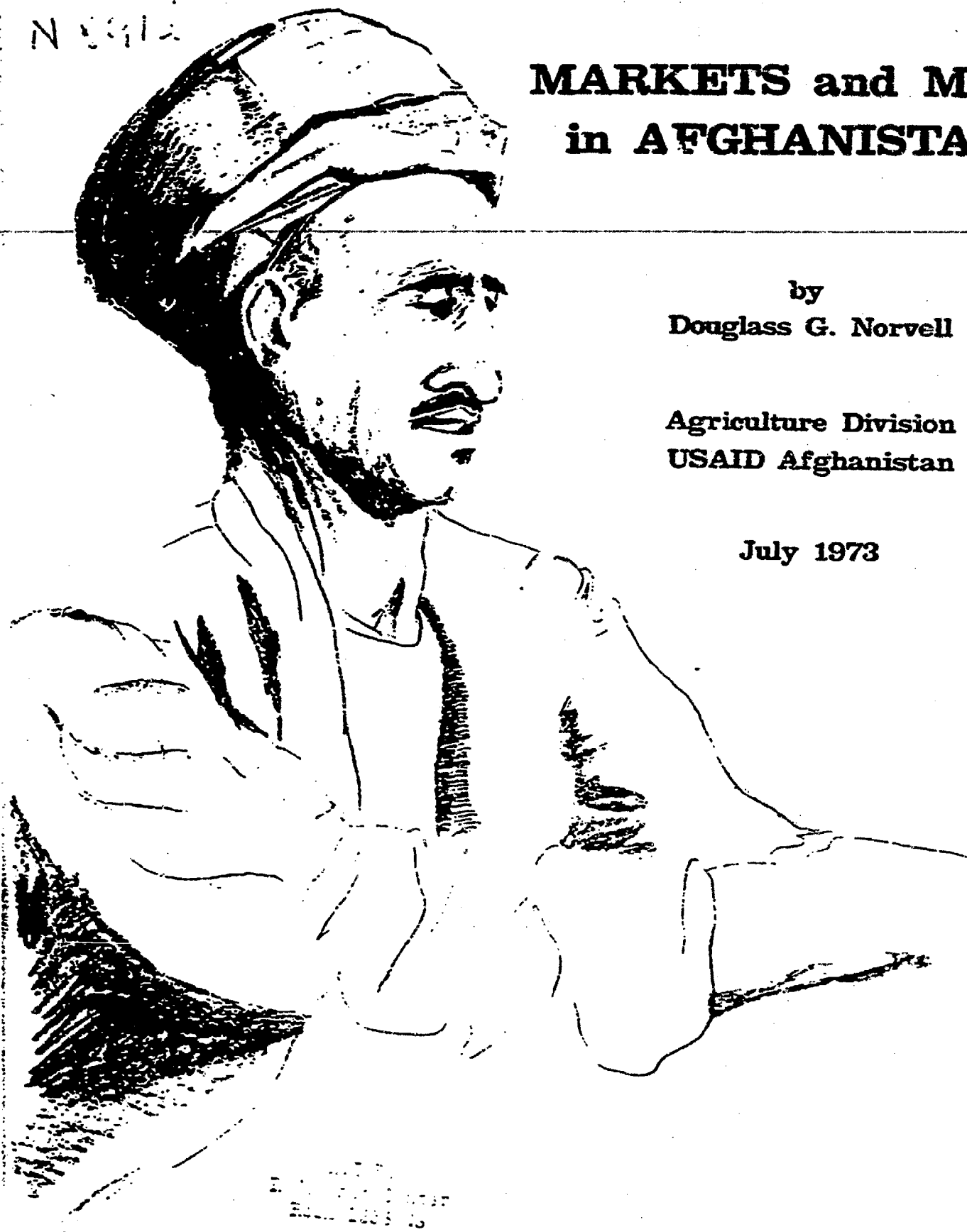
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MARKETS and MEN in AFGHANISTAN

by
Douglass G. Norvell

**Agriculture Division
USAID Afghanistan**

July 1973



**MARKETS AND MEN
IN AFGHANISTAN**

by

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Kabul, Afghanistan
July, 1973**

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Douglass G. Norvell
July 15, 1973
Kabul, Afghanistan

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FOREWORD

During Dr. Norvell's two years in Afghanistan, he was particularly observant of the markets in the country and the marketing process. He spent long hours sitting in the bazaars talking to merchants, farmers, shopkeepers and government officials attempting to discover how the markets work; how returns in the market place are divided; and how efficient the markets are in delivering the products of the land to those desiring to consume them.

Dr. Norvell's experience led him into many situations where he was able to observe the Afghan way of distributing merchandise and gathering the resources needed to carry on small businesses and enterprises. He tells us in the five case studies included in this report how different types of entrepreneurs work in the market place. Perhaps even more valuable, he has reminded us that we are, in fact not alone in attempting to "discover the wheel" again but are part of a series of investigators who have participated in the marketing exercise in Afghanistan and have reported on it. Even in the days of Tamarlane, Genghis Khan and Marco Polo, the ancestors of these people were the traders of the known world and Dr. Norvell's studies indicate that they are still performing this function quite efficiently.

It is hoped that this report will be found to be useful by future generations of students and that the markets and traders of Afghanistan will prosper, partially at least, because Dr. Norvell has helped us to understand them a little better.

Introduction

This collection of articles is about the internal marketing system of Afghanistan. The purpose is to acquaint the reader with the mechanisms that move goods from producers to consumers, and to offer some recommendations as to how the system might be improved. The material is aimed at a wide audience, including all of the interested officials of the Republic of Afghanistan as well as the corps of foreign advisors. An effort has been made to avoid the use of jargon, hence the work should be digestible by all of the social sciences and laymen.

The first section of the book is a review of previous marketing studies in Afghanistan, which will be extremely useful. The writer has observed that there is a tendency for economists working in Afghanistan to be unaware of work done prior to their arrival. The second section is a series of case studies, beginning with Haji Sultan Mohammad, a small volume retailer in Qarabagh, Kodaman. The second case is a study of Azim Khan and his extensive grain selling operation that extends from Samangan to Kabul. The third case describes Kotab Khan and other agribusinessmen working in the Kabul urban area. The fourth and fifth case studies deal with the urban bazaar, and describe Jaili Jon, a small volume importer and exporter, along with Mohammad Yussuf, a small shopkeeper. The third and final section synthesizes the case studies into some general conclusions about the Afghan bazaar and relates them to the overall economy and development processes.

There are three appendices. The first contains a checklist of things to be considered when studying a traditional market, and was the basic outline followed by the writer while preparing the case studies. The second appendix has examples of the kind of quantitative data about markets that is available in Afghanistan. The third has a series of photographs that were designed to point out particular characteristics of the Afghan bazaar, but may only serve to reassure the reader that the writer has been there.

PREVIOUS MARKETING STUDIES

Previous Marketing Studies in Afghanistan
by: Douglass G. Norvell

~~Some of the earliest work on agricultural marketing in Afghanistan was~~
done by Pastidis (13) between the years 1960 and 1964. Pastidis accomplished an inordinate amount of work, producing over fifty manuscripts that dealt with agriculture in Afghanistan. Production and marketing studies were done for wool (30,15), carpets (31), cotton (25), skins and hides (32), grapes (17,19), raisins (28), pomegranates (18), asafoetida (16), pistachios (27), walnuts (29), and pinenuts (26). Pastidis also dealt with agricultural processing (33), packing (24), transport (39,12), and export (34,14). He also extolled the metric system (20), and dealt extensively with how the government could organize a marketing department (23,37,21,22,41).

Ferdinand (6), one of the first of a long succession of anthropologists to study the Afghan nomads, dealt extensively with trading relationships between nomads and residents of the Hazarajat in the early 1960's. Ferdinand found that there were three categories of trade: 1) local trade (and other economic relations) between nomads and Hazaras as a result of their more or less permanent proximity during the summer time, 2) long-distance trade based on caravans that to some extent start from the nomad's summer camps, and 3) the temporary nomad bazaars that are now all to be found in the area of the Aimaq.

In studying the local, or neighborhood trade in the Hazarajat, Ferdinand found that despite the cultural differences between the nomads who camped for

the summer and the settled population in the Hazarajat, economic cooperation came into being at an early stage. Principally, the Hazaras supply wheat, clarified butter and woven articles to the nomads who in return supply unrefined sugar, tea, innumerable other things, and—very important—credit.

Ferdinand found that installment payment systems, or rather respite in regard to payment, is a very normal thing in Afghanistan. The articles the Hazaras purchase from the nomads were seldom paid for in cash. Through generous lending by the nomads, who frequently took land on a "girow," the Hazaras were sinking deeper and deeper into debt.

The trade caravans that ply the Hazarajat are a direct continuation of the tradition of earlier centuries when similar merchant caravans went to Kandahar, Herat, Kabul, Turkistan and Bukhara selling goods along the way. According to Ferdinand, the merchant nomads supplied a wide range of goods, including everything that the encamped nomads sold plus Pathan sandals (made from old motor tires), second-hand clothes from the United States, gun supplies, sewing needles and thread, and even spinning tops. Again, credit was common. Those who could not pay cash were written down to pay the following year, often at double the price.

Ferdinand also studied the nomad bazaars at Kerman, Abdul and Gomab. The latter bazaar was an annual gathering at a fine spring and grazing area where about 300-350 tents were set up and 2,000 traders were active. The goods offered for sale were comprehensive; there was hardly anything obtainable in the town bazaars that was unobtainable at Gomab. Also, between 60,000 to 100,000 sheep changed hands.

Ferdinand also predicted the eventual decline of the nomad bazaars for the following reasons. The Republic of Afghanistan has encouraged nomads to abandon their wandering life by offering land for sale at favorable terms.

The historic trade routes extending into India have been interrupted by border crises resulting in temporary shortages of goods. The Afghani has become a viable medium of exchange throughout the country and has replaced clothes supplied by nomads that once served in lieu of currency. Finally, the track of the lorry extends further and further into the Hazarajat, which was formerly the domain of the camel and pedestrian.

A controversial report by Barry (2) in 1970 entitled "Western Afghanistan's Outback" supplied information about trade relationships between persons in isolated areas during a time of famine. Barry found that bazaars in north central Afghanistan are dominated by Herazi merchants, who maintain control over their organizations by stationing family members at key positions. Several of the isolated bazaars that Barry visited were never more than four days walk from a bazaar or a motorable road. Because of the time and expense of moving goods, Barry reckoned that on the basis of Herat prices, the price level in Qala-i-Nau was 10 percent higher, and in Jawand 50 to 100 percent higher.

During the famine of 1971-1972, Barry found that collaboration between provincial government officials and powerful local landlords was partly responsible for the food disaster of 1972. Government officials refused to dispense food directly to citizens at the subsidized price of 52.5 Afs. per seer and in-

stead reportedly distributed wheat to local landlords, "arba'is," and Herati merchants who in turn bartered it to starving peasants for their family heirlooms (carpets and jewelry). At the height of the famine, Barry reported that wheat was bartered for an equivalent of 1,000 Afs. per seer, which was about 10 times the world market price.

In 1972, Manly (10) did a survey of warehouse and transport requirements for a private sector fertilizer distribution system. In preparing his analysis, Manly provided some useful information about the national grain bazaar system. He concluded that the planned fertilizer distribution system would need considerable storage capacity, but that no additional trucks would be needed because the grain bazaar system handles trucking efficiently and at minimum costs.

Manly arrived at his conclusions by computing the ratios of population to grain production in the provinces of Afghanistan. Based on the available data, he estimated that out of the 3.9 million tons of grain produced, approximately 1.2 million tons move between provinces. Further, there are about 6,000 grain shops in the country and about 2,800 trucks engaged in the grain trade.

Manly's work is a most useful document. It provided information that planners had needed for some time, yet this information had not previously been provided by economists working in Afghanistan, even though the data was readily available. However, the work also has some errors by way of generalization. In describing the grain bazaar system, Manly says, 'The grain bazaar structures

are owned by the municipal government in each province. The premises are rented on a bid basis to one person who in turn rents each shop to the merchants through a similar annual bidding process." (10, pg.22) While this may be true for some bazaars that Manly visited, it 's not the case in others. In Kabul, the shopkeepers in the grain bazaar pay no rent, and in virtually all of the bazaars, the principal source of revenue to the "leasee" is a tax levied against grain movements through the bazaar. This is described in great detail in the case study on Kotab Khan that follows in this document.

The Manly report also failed to cite Williams' (48) work on grain storage that was done in 1962. Probably, Manly was not aware of Williams' work pointing out the immense problem of information retrieved in a country like Afghanistan.

Williams set out to survey the existing grain storage units and recommend a building program. First, he found that existing storage was inadequate in quantity and quality. Then he suggested a particular type of flat storage building to be constructed at specific locations. Williams also suggested that the storage of privately owned grain be encouraged, and that a government purchase program be activated. It is interesting to note that at this writing 10 years later, a team of experts financed by the same agency is in Kabul to design a government purchase program.

In 1967, Whittlesey (49), an agricultural economist, prepared a report on the marketing system of Afghanistan, particularly as it pertained to production factors. The report contains information on: 1) how goods are imported

into Afghanistan, 2) how locally manufactured goods are distributed, 3) costs of transportation, 4) credit used between traders and merchants, and 5) pricing policies. Whittlesey pointed out that in order to encourage the development of the marketing system of agricultural inputs, the Republic of Afghanistan would have to: 1) develop a price stabilization program, 2) create the belief among government officials that profits are necessary in order for a marketing system to operate, 3) develop a feasible means of policing the system, and 4) find a way to supply credit to retailers.

A Food and Agriculture Organization expert by the name of Van Der Platt (50) dealt with the organization and administration of the markets in the Herat marketing area. The report contains much useful data about merchants' incomes, farmers' marketing practices and consumption of food stuffs.

Van Der Platt also reported that prices were fixed in the Herat region. The process was described as follows: "The Sharwar (municipality) once every fifteen days gathers the prices at which merchants have been buying from the farmers.... The selling prices are fixed by adding a certain profit for the merchant. This profit seems to be dependent upon the value of the commodity, the turnover, and the perishability" (50, pg.6). Van Der Platt also alluded to embargos on wheat shipments, whereby governors declare that trucks loaded with grain will not leave their provinces.

The Kunduz-Khanabad feasibility study (9), published in 1971, had a very general description of marketing in that area. The study covered where and how farmers market their produce, concentrating on the physical means of

moving it to market. Also, the report contains some qualitative information on storage and market information.

In 1973, Stone and Graham (45) did a study on the actual and potential use of the Afghan marketing system as a means to distribute contraceptives. The distribution of pharmaceuticals in Afghanistan was described in terms of the importation of drugs, wholesale and retail systems, price structure and profits, payment and credit arrangements and promotional activities. Also, the authors discussed the marketing of condoms and oral contraceptives in some detail. The project is intended to result in a plan to make contraceptives widely available in the private sector at a subsidized price.

A report by Ward (47) in 1970 dealt with the export marketing of food products in Afghanistan. Ward described how a government marketing organization could be formed to promote agricultural exports. Also, he proposed a pilot project to demonstrate how Afghan exporters could more effectively compete in foreign markets.

Centlivres, A Swiss anthropologist, did one of two studies of the Tashgurban bazaar in 1971-1972. Centlivres concentrated on how the bazaar is organized according to craft associations or guilds. He found that the crafts were assembled by areas, with the most valuable goods at the center of the market. At the center he found sellers of herbs and spices, as well as silversmiths, and at the periphery cobblers and oil dealers.

Centlivres also studied how the crafts were organized internally.

group in relations with the municipality. The craft associations are also quite formal, complete with a ceremony for graduates from apprentice to master, and a patron saint. Also, he described the bazaar as the focal point at which the contradictions or contrasts between multiple and opposing aspects of a given society are resolved. The bazaar consists of an interface between the village barter and the local monetary economy, between the world of women and the world of men, between the world of business and the world of religion. Finally, it serves to resolve local and national interests.

Charpeniers (4), a Swedish anthropologist, was studying the Tashgurban bazaar at the same time as Gentilvres. Charpenier stressed the dynamics of the bazaar and pointed out that Tashgurban is probably one of the last traditional towns in Afghanistan with its once famous bazaar on the verge of decline. First, he found that the bazaar was breaking down physically and in need of repairs which the municipality chooses to ignore. Also, specialization and the arts of craftsmanship are being overtaken by modernization. In particular, the art of silversmithing has declined in quality with the influx of tourist who will settle for lower quality workmanship and are not return customers. Other crafts, such as coppersmithing, are facing increasing competition from cheaper imports.

Also in 1972, an anthropologist by the name of Scott (44) prepared a paper on the Khalaj Market in the Helmand Valley. Khalaj Market is a periodic market meeting every Friday, like many of the markets in rural Afghanistan. Scott found that this particular market serves at least three purposes:

the religious function, there is also a mosque at the site; the social function of being a location where men meet and discuss events, many of the local visitors come for the occasion; the economic function where items can be bought (frequently at prices lower than in Lashkar Gah), traded, and surplus farm products sold at a convenient center. Further, Scott recommended that the site be considered as a potential major site for public information activities that would coincide with developmental efforts in the Helmand Valley.

In 1972, Nathan Koenig (8) did a study entitled "Basic Agricultural Marketing and Farm Input Needs in Afghanistan," which was part of an agricultural sector study done by the Robert R. Nathan Associates. Even though Koenig's study was very general in nature, it described agricultural marketing in its entirety covering: 1) the government's role in the general marketing system, 2) both public and private food grain marketing, and 3) specific commodity groups such as: cotton, sugar beets, grapes and raisins, tree fruits and nuts, and livestock products. He also included a section on the supply and distribution of agricultural inputs, including chemical fertilizers, improved seeds, simple machinery and farm chemicals.

Beyond description, Koenig went into great detail as to how the Government of Afghanistan might take direct action to make markets work more efficiently. The recommendations are specific in treating the commodity groups listed above. Also, there is a detailed recommendation for a marketing organization in the Ministry of Agriculture.

Fry's (7) work in 1973 on the money bazaars and their role in foreign trade contains a complete description of how the money bazaars came to be and how they operate. According to the author, the free money bazaars were dominant until 1930 when the Barke Mille was granted a monopoly over foreign exchange operations. However, due to a complex set of exchange controls that were imposed by the government, it eventually became costly for merchants to deal in official channels, and the money bazaar revived to serve as a clearing house for foreign transactions.

Fry's work contains several examples of the driving entrepreneurial spirit in Afghanistan. In the early stages, the money bazaars were dominated by Hindu and Jewish merchants. However, the fierce competition from Hindus coupled with the aftermath of Arab-Israeli conflict caused the last Jewish foreign exchange dealer to emigrate a few years ago. About five years ago, religious scruples were finally overcome when the first Afghan Moslems began operating in the bazaar.

There are two other market research projects that are currently in progress. One is by Nigel Allen (2), who is in the Department of Geography at the University of Wyoming (U.S.A.). Allen's work deals with the bazaars in the Kodaman Valley, a major grape producing area north of Kabul. Another project in progress is by Eighmy (5), who is determining the spatial pricing efficiency in the Afghan wheat market. By comparing price differentials with transportation costs between selected points, Eighmy hopes to determine where

the national wheat market functions effectively, and also which areas are outside of the integral system.

The comprehensive, but general, work done by Koenig and others led the writer to delve deeply into individual markets and marketeers. At the time that the following case was prepared, the writer reasoned that a detailed description of the economic and social phenomena in the bazaar was needed for development workers to incorporate into their planning processes.

The systematic study of a traditional market involves several steps and time to do a proper job. First, the writer and his associates simply spent a great deal of time just sitting, talking, observing and, in the case of Afghanistan, drinking enormous amounts of tea. Second, a framework to describe the markets was developed and the "Checklist of Things to be Considered When Studying a Traditional Market" (Appendix 1) was produced with the help of Russell Stone and Sidney Mintz. This checklist enabled the writer to avoid eliminating any important factors when preparing case studies. Finally, a modified case study approach was used to put the material into written form. The cases are actual, rather than "armchair," but the writer makes frequent departures from the immediate subject to illustrate important or interesting aspects of the bazaar.

HAJI SULTAN MOHAMMAD

Foreward

The bazaar at Qarabagh was described by my supervisor, Charles R. Jenkins, as being a "free market," and one he thought would make an interesting study. His observations were based on comments by Afghan colleagues, who always insisted on a buying stop at Qarabagh when returning from the Salang Pass because they felt prices were controlled in other bazaars.

Qarabagh did turn out to be a free market, not only in the administrative sense, but also in the social. My Afghan associates, M.Y. Kakar and M.Y. Hakimi, and I studied a group of 25 cloth sellers who were notably lacking in social common denominators. While the majority were Tajiks, other tribes were also represented. Even among the Tajiks, sellers came from a number of villages indicating that there are few restrictions on who enters business. The sellers also had diverse backgrounds. While almost all were landowners, some had previously been farmers, one a mullah, and another a Koochi. ~~In~~ deed, Qarabagh is a free market.

In the course of studying the cloth sellers, we decided to select one individual, gain his confidence, and intensively investigate his activities. This technique is believed by us to be the most viable procedure to obtain accurate information about traditional marketeers. This conclusion is based upon: 1) the observation that there is a great deal of homogeneity among rural shopkeepers, 2) the belief that it is almost impossible to obtain sensitive information without a personal relationship between the researcher and respondent,

and 3) the latitude of response permitted by unstructured, unhurried questions.

Therefore, this study is based essentially upon a sample of one.

**A MORNING WITH HAJI SULTAN MOHAMMAD:
A MERCHANT OF QARABAGH, AFGHANISTAN**

by: Douglass G. Norveli

At four a.m., the village of Istalef is awakened by the mullah's ancient call to prayer. At that hour, when the summer streets are still not quite light, Haji Sultan Mohammad's day begins. Along with the other men and older boys of the village, he makes his way up to the mosque near the center of town for an hour and a half of prayer.

In this much-visited village, renowned for its pottery and crafts, the merchant Haji Sultan enjoys a simple but comfortable life. His holdings, which include a house, five jeribs of agricultural land, a small shop and minority interest in a bus, are worth between 500,000 and 600,000 Afghanis (\$6,250 and \$7,500) and provide ample income for his second wife, two sons and five daughters. The gardens that surround his house produce apples, plums, pears, walnuts, pomegranates, apricots, sweet and sour cherries, strawberries, corn, and mung beans. In addition, he possesses two cows, two sheep and two recently acquired colonies of honey bees. On the agricultural lands, about six hundred grape vines and wheat produce a substantial cash income each year.

After completing his prayers, Haji Sultan returns home for tea and the unleavened bread called "Nan" before leaving for his shop. At seven a.m.,

he pays two Afs. for a fifteen minute bus ride to the neighboring village of Qarabagh.

Located forty kilometers north of Kabul, Qarabagh is one of the four commercial centers of the Kodaman Valley, the major grape and raisin producing area of the country. The Kodaman farmers have been raising grapes for centuries (Istalef is the Greek work for grape) in the traditional manner, and many have joined the "green revolution" by adopting chemical fertilizers, improved cultural practices and cooperative marketing with the help of FAO multi-national advisors under a project financed by Sweden. As part of the FAO PACCA Project, farmers have been introduced to pellets of gibberillic acid that will stimulate hormones and double grape yields when mixed with water and applied to vines at budding time. Farmers refer to the pellet with awe and it surely occupies the status of a mild miracle in their minds.

In spite of the recent technological advances, the 1972 crop has been stricken with a disease called "Qarghana" (anthracnose) which has decimated grape yields in some areas. Disease control practices were instituted, but the FAO advisors admit that they were "too little and too late." However, it is predicted that the scourge will cause farmers to adopt preventive measures more readily in the future. Once before in the Kodaman, disaster produced technological change when the recent years of drought forced mill owners to change from water to diesel power. When compared with water powered

mills, diesel mills require a larger capital investment, but use less labor and can be engaged or disengaged quickly, as opposed to water mills which require considerable effort to stop.

Haji Sultan Mhammad's shop is one of a row of 49, specializing in cloth and tailor-made clothing. The small wooden shops occupy a side of the bazaar, which is leased to an operator by the local government. Haji pays the operator 100 Afs. a month in return for the right to occupy his space, but the 3,000 Afs. investment in the shop and responsibility for maintenance are his. In addition to his rent, Haji pays a monthly protection fee of 40 Afs. to a group that guards the shops after business hours.

Like all of the others, Haji's shop is open-fronted and comprises about nine square meters of space. Because his shop is near a corner, he can observe much of what passes. Beginning at the left, he is in close proximity to a tailor under a tree, a fruit and vegetable seller, a vendor who sells snow from the 3,000 meter Salang Pass which is mixed with sugar and milk to form an ice cream called "Shir-i-Yakh," a snuff merchant, and throngs of shoppers. Occasionally, a silent tribesman will stride by bearing an ancient Enfield rifle to remind visitors that disputes are still settled directly. On June 16, 1972, the "Caravan" Newspaper reported that "eight persons were wounded in Qarabagh in a scuffle which was caused by homosexual practices," and "that those involved were members of a sect who have long standing differences with one another." In our discussions of the incident, Haji and his

friends reported that riot police from Kabul arrived to restore order long after order had been restored.

Prior to being a cloth merchant, Haji Sultan Mohammad was a tailor educated under the traditional apprentice system that requires the novice to work long hours with little pay before becoming a member of the profession. This habit is instilled in Haji and, even after eight years in the bazaar and becoming a member of the landed gentry, he keeps his shop open for nine hours a day, six days a week. The work ethic prevails.

To establish his shop, Haji had to make a considerable investment in addition to the 3,000 Afs. required for construction. He bought an initial inventory of cloth of about 40,000 Afghanis that has expanded to include fabric from Japan, Pakistan, India, China, Iran and Russia as well as locally-produced textiles. Also, he has an inexpensive rug (that cost 200 Afs.), an abacus (40 Afs.), a meter measure (40 Afs.), and a pair of scissors (30 Afs.) made by hand in nearby Charikar.

For a return on his investment and labor, Haji estimates his net income from the shop to be about 3,000 Afs. (\$ 37.50) a month. Because the rural labor market is very imperfect, it is difficult to separate the returns to labor from the returns to the capital. Moreover, the social factors likely outweigh the economics in his being a cloth merchant. Vigorously pursued, his agricultural interests could provide more income but not the pleasures of a comfortable shop, regular contact with his friends and the opportunity to share regional, rather than village, gossip.

As Haji opens the double doors to his shop to begin another day, an itinerant cloth merchant approaches carrying a bundle of cloth and a meter measure. As today is Monday, a bazaar day like Thursday, the itinerant merchant will spread his merchandise on a ground cloth, erect a sun shelter and begin to solicit customers. This seller brings his merchandise from nearby Sara-i-Raja at a cost of three Afs. per trip. In addition to Qarabagh, he travels to Charikar on the local market days, Tuesday and Thursday. Because he has less overhead and deals in remnants, he can sell a little cheaper than Haji Sultan, but can not offer a complete range of services to include credit and the assurance that customers will be able to return and purchase additional pieces of matching cloth for repairs and alterations. Essentially, Haji feels that the itinerant serves a different market and as he spoke, an old customer appeared and offered a sample of green taffeta. Haji carefully scrutinized it. Using his measure as a lever, he was able to procure a bolt of the same cloth without rising from his seated position. He smiled and made the first sale of the day, fourteen meters of green taffeta for 12.5 Afs. per meter. As Haji had purchased the cloth for eleven Afs. per meter, the gross profit on the first sale of the day was twenty-one Afghanis. The gross profit on this sale was typical, as he usually makes about 10% on all his sales.

To replenish his stock, he makes a weekly trip to the wholesale cloth bazaar in Kabul, Sara-i-Hazar Gul, where he enjoys a good relationship with a wholesaler. Although he usually pays cash, he can receive as much as

TRANSCRIPTION - ORIGINAL FOLLOWS

5,000 Afs. worth of merchandise on credit. Hajdis last buying trip to Kabul was ten days ago when he bought 400 meters of cloth for 10,000 Afghanis.

The next visitor of the day was Haji Sultan Mohammad's brother-in-law, who is his partner in a commercial bus engaged in the Kabul-Qarabagh trade. The bus is typical of the vehicles that carry people and goods to and from rural areas. It is referred to by Haji as 601 model "Wagoon" and is American in origin, probably a GMC (the motor is straight 6 cylinder). It is difficult for the novice to identify many of these vehicles because the bodies are fabricated by local sheet metal workers, and the engines undergo several changes during their extended lives. Over the years, they may acquire carburetors, generators, radiators and other external parts from a wide variety of other vehicles or even farm machinery.

Haji's brother-in-law unsuccessfully solicited some money for a tire, which he felt was time to replace. As part owner, Haji is liable for one-third of all repairs on the vehicle. The bus was purchased for a total of 270,000 Afs. with 60,000 Afs. down payment and monthly payments of 9,000 each. Each month the bus nets about 4,500 to 6,000 Afs. above expenses, which are divided with a one-third share to Haji and a two-thirds share to his brother-in-law. For their investment, each receives an internal rate of return of 38%.

The bus earns money by hauling people and produce to Kabul. On Saturday, which is market day in nearby Charikar,

TRANSCRIPTION - ORIGINAL FOLLOWS

[same page]

and Thursday, a market day in Qarabagh, the bus makes three round trips to Kabul carrying about 25 or

5,400 Afs. worth of merchandise on credit. Haji's last buying trip to Kabul was ten days ago when he bought 400 meters of cloth for 10,000 Afghanis.

The next visitor of the day was Haji Sultan Mohammad's brother-in-law, who is his partner in a commercial bus engaged in the Kabul-Qarabagh trade. The bus is typical of the vehicles that carry people and goods to and from rural areas. It is referred to by Haji as 60' model "Wagon" and is American in origin, probably a GMC (the motor is straight 3 cylinder). It is difficult for the novice to identify many of these vehicles because the bodies are fabricated by local sheet metal workers, and the engines undergo several changes during their extended lives. Over the years, they may acquire carburetors, generators, radiators and other external parts from a wide variety of other vehicles or even farm machinery.

Haji's brother-in-law unsuccessfully solicited some money for a tire, which he felt was time to replace. As part owner, Haji is liable for one-third of all repairs on the vehicle. The bus was purchased for a total of 270,000 Afs. with 60,000 Afs. down payment and monthly payments of 9,000 each. Each month the bus nets about 1,500 to 2,000 Afs. above expenses, which are divided with a one-third share to Haji and a two-thirds share to his brother-in-law. For their investment, each receives an internal rate of return of 38%.

The bus earns money by hauling people and produce to Kabul. On Saturday, which is market day in nearby Charikar, and Thursday, a market day in Qarabagh, the bus makes three round trips to Kabul carrying about 25 or

TRANSCRIPTION - ORIGINAL FOLLOWS

30 passengers. On other days it makes two trips. Like the rest of the world's transportation industry, Haji and his brother-in-law who practice price discrimination and charge eight Afs. each way for people, but only five Afs. each way for ten seers of cargo (one seer equals 16 pounds). Although a person weighs about 10 seers, he costs more than cargo. In addition to the return on Haji's investment, the earnings are used to pay operating expenses, consisting of repairs, and a salary of 2,000 Afs. a month which goes to his brother-in-law who drives, and an assistant.

The next two visitors were also non-customers. The first was a Koochi woman in a tattered "[word illeg]" who made a successful plea for money or food with the standard gesture of a slow wave that begins from the forehead and encircles the mouth. The next person was a dwarf carrying a can full of burning charcoal on a stick which is used for burning "Espand." The "Espand" is an incense that gives off a white smoke when burned. According to Haji, the white smoke brings about good health, happiness and success in business--all good reasons to have one's shop [word illeg] on a regular basis. We had noticed previously that the dwarf is in the bazaar every market day delivering "Espand" with the call, "Espand [one word excised] Band," which translates to "Espand keeps away misfortune."

The dwarf carrying burning incense is one example of several mechanisms that insure a minimal standard of living

TRANSCRIPTION - ORIGINAL FOLLOWS

[same page]

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The next two visitors were also non-customers. The first was a Koochi woman in a tattered "Chaderi" who made a successful plea for money or food with the standard gesture of a skew wave that begins from the forehead and encircles the mouth. The next person was a dwarf carrying a can full of burning charcoal on a stick which is used for burning "Espand." The "Espand" is an incense that gives off a white smoke when burned. According to Haji, the white smoke brings about good health, happiness and success in business—all good reasons to have one's shop fumigated on a regular basis. We had noticed previously that the dwarf is in the bazaar every market day delivering "Espand" with the call, "Espand Ba'a Band," which translates to "Espand keeps away misfortune."

The dwarf carrying burning incense is one example of several mechanisms that insure a minimal standard of living for the less fortunate people in rural Afghanistan. In another, every Friday the rich participate in the

"Khairat" by bringing money to the village mosque. According to Haji, about forty or fifty people bring in two to ten Afs., which the mullah collects and distributes to people who are designated as poor by the "Maliks," village leaders.

Once a year, the rich are required by Koran to participate in the "Zakat" and "Qurbani." The "Zakat" requires that rich distribute one-tenth of the wealth (in animals or currency) when the moon appears for the month of Rajab. For every adult family member during the Eid-i-Qurban, the "Qurbani" requires that rich families donate a sheep (or its equivalent) to the poor neighbors, relatives, or family. There is a set of prescribed formulas for a sheep equivalent, but the most commonly employed states that a camel or a cow is equal to seven sheep or goats. Also, according to S. Shpoon, an Afghan social scientist, the animal must be male, uncastrated, with no visible health problems or bruises.

Deaths and weddings also serve to redistribute income and wealth. Whenever a rich person dies, his family is expected to give an "Esqat" of about 5,000 to 6,000 Afs. to the mullahs for distribution to the poor, as well as direct donations of food to poor relatives. If when a wedding occurs, and a rich boy marries a poor girl, according to the wealth and their agreement, he gives an amount of money as a "Toyana" or gift about 20,000 Afs. and higher which she may give to her family. The "Toyana" is considerably higher when a rich boy marries a poor girl, rather than the opposite case. Also, lavish wedding parties are given by the wealthy, and the entire community is invited.

Finally, spontaneous giving to beggars, called "Baksheesh" occurs on a frequent basis. As we sat in the shop, a man carrying a small boy approached. "I am from Chakhcharan," he announced, "and I have no food." Two consecutive years of drought had caused widespread crop failures in the Hazarajat, and the news had reached Haji's ears through travelers. He reached into a small change can and gave the man two Afs. and a blessing.

There have been occasional references to the low taxes paid by rural Afghans particularly since the abolition of the livestock tax and recent documentation of low land taxes that are often not collected. It is quite possible that the reluctance to pay formal taxes stems from an already substantial informal tax burden on rural gentry. This is one of the many areas that needs further study.

The next visitor was the local mullah, a personable religious leader, who maintains close relations with Haji Sultan Mohammad and the other merchants. Haji enjoys a favorable position because 15 years ago he made the strenuous pilgrimage to Mecca. The trip costs 20,000 Afs. (when the Af. was worth triple today's value) and involved taking a bus to Peshawar, Pakistan; a train to Karachi; a boat to Jeddah, Arabia; and a bus to Mecca. Present day Hajis fly special excursions by Ariana Afghan Airlines or travel overland by bus and private cars.

The next visitor was reporting on the status of an infirm relative. Even mild sickness is a serious matter in Qarabagh where home remedies are often used in lieu of modern doctors. "The man in my house is still sick," said the visitor. "Yesterday he ate some mutton and it made him more sick."

"That's too bad," replied Haji. "It was probably goat meat."

An older man appeared at the side of the shop and gestured nervously at Haji who responded sharply. "Have you got any money for me?" The old man slowly shook his head and said, "I have been sick and don't have any money. Can you let me have ten more meters of cloth on credit?" Haji did not reply, and, after a few minutes, the old man slid away from the shop without a goodbye.

Like most of the shopkeepers, Haji frequently gives "Salam" credit that consists of allowing a customer to buy now and repay after the harvest. Usury is forbidden by the Koran and there is no organized mechanism for lending money at interest in the Qarabagh bazaar. However, when customers buy on "Salam" credit, the price is typically ten to fifteen percent higher than the cash price. Haji currently has about 70,000 Afs. worth of credit extended to 100 persons. The smallest loan is 100 Afs. and the largest are 10,000 Afs., each to two brothers.

Haji relies heavily on personal contacts in establishing credit relationships. Later in the morning, a man approached the tailor sitting under a tree and asked for credit. When the tailor refused, the man approached Haji to act as a reference. Haji responded with a favorable recommendation and the tailor then accepted the man's promise to pay later.

Because of this year's impending bad harvest, Haji expects many of his creditors to delay payment until next year. Thus, we must add the "Salam" credit system to the list of mechanisms to insulate the rural poor from the

shocks of an economic catastrophe. The custom of delaying payment during a bad harvest is in effect another informal tax that transfers income from the merchants to the farmers in the event of a poor harvest.

The next customer bought four meters of luxurious Iranian cloth at a cost of 50 Afs. per meter. Haji had paid 45 Afs. a meter for the cloth in Kabul. An alert neighbor, noting that Haji was running low on the Iranian cloth said, "I have got some of that cloth in my shop, and I will sell it to you for 45 Afs. a meter." Haji looked at him carefully and responded with an offer of 40 Afs. a meter. The neighbor declined and moved away. According to Hall, as described in The Silent Language, bargaining in Arab markets revolves around a "pivot price" which buyers and sellers conceive to be determined by circumstances outside their control. Offers too far above or below the pivot price are taken as evidence of disinterest or insincerity. Apparently, Haji's offer of 40 Afs. a meter had been too far from the pivot price which was probably near 45 Afs. per meter.

It was now near noon, and Haji's young son brought two pieces of "Nan" and ten skewers of kabab to share. After offering us a portion, Haji and his son turned their attention to their meal. The market was almost still as the noonday sun took hold. The afternoon will be slower, but otherwise much like the morning. At 5:00 p.m. he and his son will go home. In the evening, he will visit his oldest son's "Posteen" shop in Istalef for awhile, but he will be in bed by 9:00 p.m. to rest for tomorrow's long day. The days of a typical

merchant have changed little in the last hundred years; however, when change comes, the bazaar will be the prominent vehicle for modernization. As we moved out of the bazaar, a MIG 21 thundered above and banked for a turn into the Bagram Air Force Base. Its bright under-belly flashed, conveying a reminder of the forces of change to the merchants of Qarabagh.

AZIM KHAN

Foreword

As part of their duties in the agriculture division of the United States Agency for International Development, the writers gather and analyze current information on the state of the agricultural sector in Afghanistan. After being processed the information is supplied to offices of the Republic of Afghanistan, and to other technical assistance organizations.

One of the best sources of qualitative data about Afghan agriculture is Azim Khan, who has a rare competence and a true spirit of cooperation. The writers explained to Azim Khan that we wanted to do a case study on his operations and that it would involve obtaining sensitive data. We further promised that his true identity would be disguised. He said simply, "I trust you." Among the merchants of the Kabul Grain Bazaar, a man's word is his bond.

**AZIM KHAN AND ASSOCIATES: A FAMILY
OF AGRICULTURAL ENTREPRENEURS IN AFGHANISTAN**

By Douglass G. Norvell and M. Y. Hakimi

While most of the modern world was still recovering from the great depression, Kabir Khan and his band of nomads steadily and profitably plied their barter trade from the Central Hindu Kush to Khyber Pass. Like many other nomadic camel drivers, Kabir Khan and a group of twenty men traveled a circuitous route. They would pick up a load of wheat, pistachios and salt in the ancient Buddhist capital of Bamiyan and take it through the Sheber Pass to Kabul and on to Jalalabad. In Jalalabad the load would be traded for cloth, tea and ghor (unrefined brown sugar), which were carried back to Kabul and Bamiyan through the Hajiak Pass where there they dispersed small amounts to local merchants en route.

The arduous trip took a total of twenty days and the men traveled much too fast for the women, the aged and children who maintained the camps of black tents high in the mountains during the summer and on the warm plains near Jalalabad during the winter. In one of the black tents during the year of Mohammad 1317, the first son of Kabir Khan was born and named Azim, which translated from Pashto means "great and good." Thirty-four years later, Asim Khan would be a central figure in the Kabul grain bazaar, leading a network of 35 persons that grosses one-quarter of a million dollars each year in

a combination of wheat sales, milling services and livestock trading. The development of Azim Khan as an agricultural entrepreneur is an excellent case history of the business practices and life style of a successful traditional merchant in the grain bazaar. As development continues in Afghanistan, these men will be part and parcel of the agricultural distribution system.

Before Azim Khan was old enough to make the long trading trip, his father's band of nomads was given a grant of 200 jeribs (50 hectares) of un-irrigated land near Aibak, on the southern edge of the steppes, north of the Hindu Kush. The grants of land were given to Pashto nomads in many parts of the country in the period immediately preceding World War II. Although the land grants were heralded as settlement measures, they carried overtones of pacification for the fierce nomads who recognized none other than tribal authorities and the prophets of Islam. The governors of provinces were also quick to take advantage of the settlement programs and identified the settled nomads with their own offices. In some areas the nomads became an unofficial corps of guards and caretakers for the governor's estates.

With the generous land grants and privileged positions in the governor's office, the nomads were quick to take advantage of trading opportunities. Exchanging camels for trucks, Kabir Khan moved surplus grain from Aibak to the urban bazaars. When Azim Khan was twenty years old, he moved to the Kabul bazaar to become the family's trading representative.

Today, after thirteen years of experience, Azim Khan is one of the

major traders in the Kabul Grain Bazaar. He shares this distinction with twelve other large volume traders and between them each day they bring in an estimated 200 metric tons of wheat, flour and other food grains that are distributed to approximately 1000 small retailers and bakeries throughout greater Kabul. Like other grain bazaars in Afghanistan, the Kabul market is leased by public auction on an annual basis. The lease is allocated on an auction basis, and the successful bidder obtains the right to levy a tax of two afghanis against each 100 kilo bag of grain that is sold. The lessee, Kotab Khan, also has the lease on the Kabul livestock market and runs an integrated grain and livestock trading operation. It is interesting to note that Kotab Khan's background is almost parallel to Azim's. His father was also a Pashto nomad who was given a grant of land near Ghazni Quarabagh and there began trading operations.

From his post in the Kabul grain bazaar, Azim Khan has an organization that encompasses five provinces. He has regular commission buyers in Aibak, Darre Tussuf, Pul-i-Khumri and Doshi, two flour mills under a lease arrangement, one truck of his own and two that are hired on a regular basis. The extent of his organization is portrayed in Figure 1.

Asim Khan's activities in the Kabul bazaar are principally concerned with sales and coordination of the organization. Assisted by a younger brother, he sells about 13 MT's of flour and wheat per day in amounts from 4 kilos to 1400 kilos, carefully weighed out by the seer (7.2 kilos) on a traditional hand held scale. Most of his sales are to small shopkeepers and many are on credit.

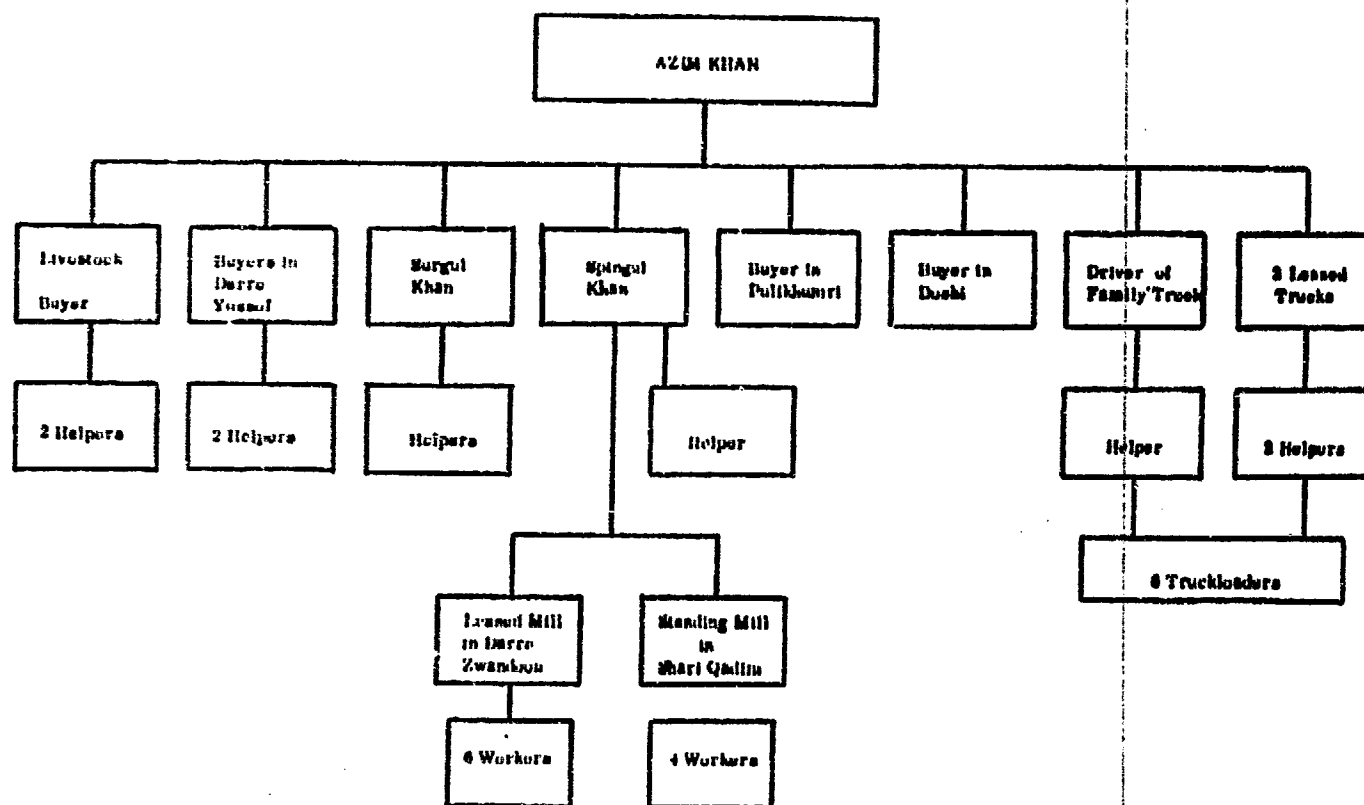


FIGURE 1 : ORGANIZATION CHART OF AZIM KHAN'S GRAIN AND LIVESTOCK OPERATIONS

At this writing, he has about 375,000 Afghanis worth of credit extended to small shopkeepers.

The Kabul grain bazaar is highly competitive and there is little attempt to conspire in price-fixing. Besides the thirteen large volume sellers, there are 60 more small merchants who deal in speciality grains such as mung beans, barley and lentils, as well as in a variety of rices. As sellers are bound to follow the prevailing price, they compete in other ways, particularly by maintaining a clientele of regular buyers. Azim Khan maintains his clientele by strict quality control, enforced by family members and close associates. The grain is purchased by his brother in Aibak, milled, bagged and sealed in their own establishments, moved to Kabul in their own trucks and sold by Azim or his brother. The only opportunity for adulteration would be by the truck-drivers who could either dilute or pilfer flour by opening and resewing bags. However the gain would be small in comparison to the cost of discovery, which would involve dishonor or worse.

The operations are largely conducted on a week to week basis, with a quick turnover in mind. Azim does not use banking facilities, but instead has a safe in his room near the grain bazaar and typically carries as much as 150,000 Afghanis in his vest with zippered pockets that open from the inside. He keeps an ample supply of cash because his brother often sends merchants from Aibak with "warrants" for as high as 100,000 Afghanis. The warrant system works in the following fashion: Azim's brother in Aibak, Spingul Khan,

receives 100,000 Afghanis from a cloth merchant who is about to go to Kabul on a buying trip, and is not eager to carry cash. The merchant receives a written warrant embellished with Spingul Khan's signet ring in lieu of a signature. When the merchant gets to Kabul, he gives the warrant to Azim, who redeems it for cash. Thus, the cloth merchant reduces his risk and Azim gathers a supply of working capital.

Besides his brother and son who often helps, Azim Khan has access to many casual laborers who frequent the grain bazaar. Occasionally, he will hire a laborer for two or three hours and pay him 20 or 30 Afghanis. At night he gives the chawkidar, or night watchman, 50 Afghanis to take care of his wheat. Each night the chawkidar gives him a receipt for the number of bags that he has and assumes responsibility for their safekeeping until morning. In the thirteen years in the grain bazaar, he has lost about 40 bags.

Azim Khan's basic business practice is to work toward a high volume business, quick turnover and a modest profit on each sale. Figure 2 is a representation of how the payments from wheat revenues are distributed. In a typical transaction, wheat might sell for 56 Afghanis per seer, with 42 Afghanis paid to the farmer, 3 Afghanis for cleaning, milling and bagging, another 3 Afghanis for transportation from Aibak to Kabul and 7 Afghanis profit to Azim Khan and his associates. However, sales are not always profitable. Recently, Azim responded to misinformation on the price of wheat in Maimana by sending a truckload of wheat which he expected to sell at a price

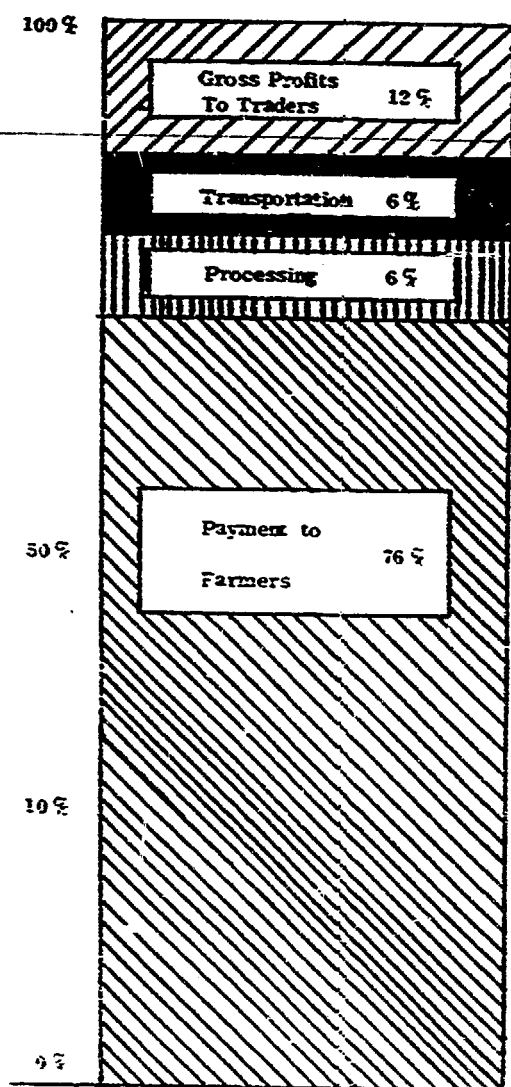


FIGURE 3 : DISTRIBUTION OF WHEAT REVENUES

of 80 Afghanis per seer. Instead the wheat sold at 60 Afghanis per seer and he lost about 60,000 Afghanis. Like most of the traders, he relies mostly on telephone communications and information brought by truck drivers.

While in Kabul Azim makes his home in a small room adjacent to the grain bazaar, which he shares with his brother-helper Surgul Khan. He has occupied the room for six years and pays 500 Afghanis per month. It is simply furnished with carpets, sleeping mats, a hot plate and his safe. For three months of the year his eleven year old son visits him and studies in the Kabul school. In typically fatherly fashion Azim has high aspirations for his son and hopes that he will pursue a military career and become an officer. In the past Azim was visited by his wife and daughters during the summer when he rented a house. However, this year the wheat crop was uncertain and he anticipated the possibility of travel to Pakhtia and Kandahar in search of supplies. To leave women and children alone in Kabul is unthinkable, so his wife remained in Aibak.

In Aibak Azim's family and business interests are in the capable hands of his younger brother, Spingul Khan. The family homestead is a traditional spacious house in a compound enclosing four jeribs. There are sixteen people living in the compound, including both Azim's and Spingul's wives and children, as well as a younger brother. I can attest to the comfort as my Afghan research associate, M. Y. Hakimi, my wife and I passed an enjoyable evening reclining in the master room dining on kabab, pilau and fresh Afghan melon.

Each morning Spingul (white flower) Khan gets up at 4 a. m. , prays, drinks tea and goes to the Aibak grain bazaar. There he buys about 1000 seers of wheat, loads it on a truck and takes it to the mills that the family operates in Share Cadim (the old city) and Darre Zwandoon (Darre means valley and Zwandoon means life).

The installation at Darre Zwandoon is one of two mills operated by the family enterprise under the supervision of Spingul Khan. The mill is in a green valley about 15 kilometers from the center of Aibak. The water for power thrusts down a twenty foot log trough and spins two sets of large millstones that transform wheat into flour. The wheat is first dumped into a receiving pile on top of the mill, cleaned by screening and fed into a funnel where it drops on to the spinning stones. Inside the dark and dusty mill, it is bagged ready for shipment to Kabul and processing into the unleavened bread called Nan.

The family leases the mill from a local Tajik on a two year basis. The lease costs 170,000 Afghanis for two years and is a profitable investment. It processes about 800 seers a day and is closed only for repairs. The millstones must be hewn every four days and takes three men a total of three hours at a cost of 150 Afghanis. Other repairs to the water trough and blades on the drive shaft must be made intermittently, and each time the water is diverted by shutting off the outlet from the "juie." The labor costs are paid on the basis of volume. A team of seven men receives 700 Afghanis and two seers

of flour (worth about 100 Afghanis) for every 1000 seers of flour that they process.

If the wheat that is processed is valued at the prevailing processing price of

1.5 Afghanis per seer and the mill works 355 days per year, then the costs and returns of the mill are as follows:

	<u>Afghanis</u>
1. Gross Returns Per Annum (248,000 seers @ 1.5 Seer)	426,000
2. Costs: Lease	85,000
Labor costs (248,000 seers @ .8 seer)	228,000
Repairs to stone	7,000
Other repairs	5,000
Miscellaneous	<u>5,000</u>
	330,000
3. Net Return Per Annum	96,000

Thus the family is able to recoup its investment and make a substantial profit, in addition to insuring an ample capacity for milling wheat.

Whenever the mill at Darre Zwandoon is fully utilized, the family has a standing arrangement with a smaller mill in Share Cadim where the miller processes for 1.5 Afghanis per seer. The mill in Share Cadim is smaller, one stone operation and the family occupies it most of the time. The mill in Share Cadim is supervised by the owner who has four helpers and a 50 kilo nomadic guard dog.

Spingul Khan does most of the buying for the family enterprises, although other suppliers are in Darre Yussof, Pul-i-Khumri and Doshi. Spingul Khan

buys from farmers near Aibak as well as in the bazaar. Occasionally he extends credit to farmers and takes their crop in consignment, although this year he only extended 80,000 Afghanis worth of advances, which amounts to less than one percent of his total business. When Spingul Khan loans money, he does not buy the crop in the field but agrees to take it into Kabul and sell at the prevailing price until the loan is repaid. The buyers in Darre Yussof, an upcountry site about 30 kilometers from Aibak, operate on a cash basis and generally make about .25 Afghanis per seer of wheat that they bring in to Spingul. A team of three, the buyers in Darre Yussof procure about 1000 seers a day during the harvest time. The other buyers in Pul-i-Khumri and Doshi have no formal ties with the family enterprises but merely ship most of their wheat to Azim Khan for resale.

The family uses three trucks to move wheat the 300 kilometers to Kabul. The trucks usually go up in one day and back the next. On the backhaul they may bring cloth, teapots, charcoal, salt or ghor, as well as people to Aibak. The truck that belongs to the family was bought from a Jaji in Kabul. The Jaji's are a family group from the tribal areas of Pakthia province that control much of the transport between Afghanistan and Pakistan that crosses the free border. The family paid the Jaji a total of 600,000 Afghanis for the truck with a down payment of 300,000 Afghanis and installments of 10,000 per month. The truck is driven by an employee from Sera-i-Khoja who earns 1600 Afghanis per month, and a helper who earns 500 Afghanis per month and one or two hundred Afghanis

"baksheesh." The family also leases two trucks on a regular basis. The truckers are paid 4000 Afghanis for each 1200 seers shipped to Kabul. Also in the trucking operations are a group of truckloaders who charge 100 Afghanis to load or unload a truck.

Along with the wheat trading activities, the family buys and sells livestock. Each spring Spingul Khan assembles a herd of three or four hundred sheep and turns them over to a cousin and his helpers, who drive them slowly across the Hindu Kush to Kabul. The drive is leisurely, averaging about 10 kilometers a day through the lush green meadows near the Salang Pass. Because the drive is leisurely, the sheep young, and the pasturage abundant they gain weight all the way and usually increase from four to ten pounds in weight by the end of the thirty day trip. At the end of the trip the sheep are kept at an uncle's house near Quali-Morad Beg, 10 kilometers north of Kabul to wait for favorable market conditions. When the price is right, they are walked into the Kabul livestock market in groups of 50 and sold.

This year the family sent three men (one a cousin) from Aibak with 300 sheep. The men were well-armed with a Russian-made twenty-two rifle, two pistols and a large guard dog. In spite of the precautions, two sheep were killed by wolves near Ghorband, but the carcasses were sold for 900 Afghanis each. The men are paid 1500 Afghanis each for the trip and they supply two pack donkeys. The family pays for the food which costs 4000 Afghanis. This year the sheep were bought for 1150 Afghanis each and sold for 1500. Thus the costs

and returns for livestock trading are as follows:

	<u>Afghanis</u>
1. Gross Returns (298 sheep @ 1500)	447,000
(2 dead sheep @ 900)	<u>1,800</u>
Total	448,800
2. Costs: Sheep (300 @ 1800)	354,000
Labor	4,500
Provisions	<u>4,000</u>
	362,500
3. Net Returns	86,300

Again venture capital makes a substantial profit for the family.

In the combined operations, Azim Khan and his family associates expect to gross about 20 million Afghanis and make a net profit of about 700,000 Afghanis. Most of the profits will be reinvested. The family monies are kept in the safe in Kabul and another in Aibak. Whenever Azim or Spingul need money for cloth, tea, salt or sugar they simply open the safe and spend what they need, no more, no less. Once every three months the money is counted and the feasibility of new ventures is appraised.

Azim Khan and his family associates are efficient managers and traders under the existing system. They bring buyers and sellers together in a well-coordinated fashion by using their resources effectively. The important question for development is: Will they be able to adapt to modern distribution and participate in the sale of fertilizers and other agricultural inputs? On the negative side, one could point to: 1) their lack of education (both are illiterate),

2) their system of financial management which does not permit continuous evaluations of inventories, and 3) the fact that they have always dealt in recognizable goods for final demand, rather than intermediate goods that need to be marketed. On the affirmative side, one could point to: 1) the high educational aspirations for their children, who could soon be skilled in modern business practices, 2) the vigorous profit motive and awareness of opportunities, and 3) their history of being able to adapt to new situations. With the latter in mind, it is likely that Azim Khan and Associates will ultimately become Aibak Traders, Inc.

KOTAB KHAN



Foreword

"My father was a Koochi. We received a grant of land from the government and settled in Ghazni. But I want to tell you that a traveling, trading Koochi is going to keep on doing his business even if someone does give him some land. When I was about eleven years old, I used to work with my father. After that I brought sheep from the northern part of Afghanistan to the city markets and sold them for a profit. When I was sixteen years old, I became leasee of the Qarabagh Ghazni grain bazaar and was there for three years. Then I came to Kabul about six years ago and started doing business. Now, I'm the leasee of both livestock bazaars and the grain bazaar."

"Yes, we make a lot of money, but we lose a lot too. I've got a lot of problems. Sometimes, I wish I was back in Ghazni."

KOTAB KHAN AND OTHER AGRI-BUSINESSMEN

by: Douglass G. Norvell

Kotab Khan is probably the most critical agricultural businessman in Afghanistan. At 36 years of age, he has simultaneously held the leases on both the Kabul Grain Bazaar and the municipal livestock market, Naqash. Kotab Khan's organization is so complex and changes so frequently that an organization chart would be out of date before the ink was dry. Partners, associates, family members all work for him, plus a number of people who drift in and out of his employment as needed. One clue to the size of his operation is that in 1350 (1971-72), he was committed to the Kabul municipality for over four million Afghanis in revenues from the bazaars.

Kotab Khan was committed to the municipality because he won the bids in open competition. As is common in the Muslim world, the Kabul and other city governments lease the right to collect taxes in the bazaars. In Kabul the leasee is allowed to levy a tax of one Afghani on each bag of grain that comes through the bazaar. Each year the lease is auctioned off in the municipal offices which have complete authority over the city bazaars. Last year the writer attended the auction and observed the proceedings. In the auction, each person who bids must proffer earnest money. Then each submits his bid in writing to a committee in a meeting room at the municipality. At noon the bids are closed and the highest bidder prepares to take over the administration of the bazaar.

Last year Kotabi Khan held the lease alone. However, this year he joined five other traditional businessmen to form a partnership to manage the Kabul grain bazaar. The partners gave several reasons why they formed the partnership: 1) As there are six entrances to the grain bazaar, the job of keeping up with the traffic alone is a very big one for one man to handle; 2) the partners enjoy a good relationship, sharing equally in authority and trusting each other implicitly; and 3) as there was a great deal of competition for the lease, this year the bidding would have gone too high for one individual to meet. This last factor is certainly reasonable, particularly when considering that the size of the winning bid this year was only 2,664,000 Afs. as opposed to 2,635,000 last year.

The amount of the lease in the Kabul grain bazaar is a function of the total marketings, or the volume of product that moves through the bazaar. The volume of product is in turn a function of the population of Kabul, its income, and the total grain production of the country. As Kabul's population is growing steadily, and incomes are at least not declining, and wheat production has increased due to the use of chemical fertilizer and improved seed, the volume of product moving through the grain bazaar should increase. Therefore, the collusion between Kotab Khan and his associates was likely sufficient to keep the size of the bids for the lease from rising. Another factor that may have encouraged the partnership is the physical capacity of the bazaar. The Kabul bazaar is crowded and encircled by private holdings. Prospective bidders may have reasoned that the bazaar simply could not handle an increased flow and that it was simply not worth the risk to bid up the price of the lease.

Even though the Kabul grain bazaar only occupies about one hectare of land, there are about one thousand persons who earn their living there. First, there are about 300 shopkeepers and their employees who are actively engaged in buying and selling. Of the 300, about ten or twelve are large volume wholesalers capable of buying and selling truckloads of wheat that usually contain 1,000 seers (one Kabul seer equals 16 pounds). These large volume wholesalers have a nationwide organization along the lines of the one described in the case of Azim Khan.

There are also about 500 "Jowalis" who move grain on their shoulders on and off trucks and from shop to shop. The Jawalis are mostly Hazaras and charge 25 poule to move a small bag of grain (7 seers), and 50 poule to move a large bag (14 seers). Closely identified with the Jawalis are the "karachi" drivers who move grain on hand-powered pull carts from the grain bazaar to the shops. Again, the karachi drivers are mostly Hazaras, but some Tajiks are also in the trade. The karachi drivers charge according to the size of the load and the distance; for example, it costs about 20 to 25 Afs. to move ten large bags of grain to Dehmezang, a distance of about two kilometers.

Also, there are sellers in the bazaar who buy, sell and repair jute bags. Most bags used in the Kabul bazaar are imported from India and retail for 40 Afs. each. Prior to the birth of Bangladesh, bags were imported from Pakistan, but now the flow of bags has been reversed and salvage bags are exported from Kabul to Pakistan where they are repaired and used again. These jute bags make about six round trips from farms to Kabul, moving about a ton of grain before they become

dilapidated and are sold for salvage. The writer brought some woven plastic bags from Turkey, where they have supplanted jute as a means to carry and store grain, and asked a large grain trader to test them. They were found to be unsatisfactory in Afghanistan because of the rough handling received and the difficulty in repairing them. However, as these are technical difficulties, the writer feels they could be overcome by design. There is a good possibility that an aggressive bag manufacturer could capture much of Afghanistan's total bag market, in the neighborhood of 2,000,000 bags.

There are also small groups of persons in the bazaar who perform highly specialized functions. There is a representative of the Food Procurement Department who collects data on the arrivals, sales and prices of different grains. There are Kotab Khan's associates and his employees who collect taxes and generally maintain order. There is a "chawkidar" and his employees who guard the shops at night. Finally, there are the always numerous tea and food sellers who also earn their living there.

At this point in its development, the Kabul grain bazaar is in dire need of basic improvements, many of which could be made with low cost investments. One of the primary problems is the congestion due to trucks entering and departing through the same narrow passage. These ingress and egress constraints could be readily lessened if the municipality would open an exit, thus allowing trucks to drive straight through rather than having to turn around or back out. Also, sanitation facilities are completely lacking as is a source of clean water. Most of the shops are crudely constructed and there is no discernable plan of organiza-

tion. Like many traditional markets across the world, the Kabul grain bazaar simply "grew" on a spot that was selected by the governing authority.

The practice of renewing the lease annually also prohibits improvements in the bazaar. The leasee is caught on the horns of a dilemma: On one hand he recognizes that if he makes improvements, more grain can eventually move through the bazaar and thus he will collect more revenues; however, in the following year, the price of the lease will be bid up and he will then lose the returns from the previous investment. One means of resolving the dilemma would be for the municipality to increase the length of the lease to five years. Alternatively, the municipality could improve the facilities and rely on the increased volume to increase revenues and to increase the bidding price of the lease, thus ultimately recovering their expenditures. However, in view of the collusion among the bidders, the most viable solution would be to increase the length of the lease. This longer lease period would encourage improvements and at the same time require no immediate expenditures by the municipality.

Other grain bazaars in Afghanistan are also administered by municipalities, although the patterns are not consistent. Table 1 gives the size of the leases and other data for some of the grain bazaars in Afghanistan. The largest grain bazaar in Afghanistan is at Khanabad, which correspondingly has the greatest lease. The leasee collects his tax in kind, a highly regressive or particularly brutal means of obtaining revenues from the grain trade. There is a rationale for this statement: The demand for wheat in Afghanistan is highly inelastic; therefore, when the supply is low, the price will rise sharply, causing the value of a bag of

TABLE 1: Selected Data on Grain Bazaars in Afghanistan

LOCATION	<u>Afghanis Per Annum</u>	<u>Years</u>	<u>Market Days</u>	<u>Tax on Sales</u>
1. Khanabad	96,000,000	2		1.0 % in kind
2. Kabul	2,004,000	1		1 Af. per bag
3. Mazar -Sharif	1,000,000	3	M-Tue	10 Afs. for 20 Mazar seers
4. Pulikhumri	900,000	3	F	1.25% in kind
5. Jalalabad	700,000	1		1 Af. per bag
6. Samangan	364,000	3	M-Thur	2 Afs. per bag
7. Charikar	150,000		None	.20% in kind
8. Qarabagh	90,000	3	M-Thur	200 Afs. per truck
9. Herat	80,600	3	S-Wed	1 Af. per bag
10. Kuim	71,000		M-Thur	3 Afs. per bag

wheat or a tax in kind also to increase sharply. Thus, even though there is less grain moving through the market, the leasee will make more money. Conversely, if the tax is fixed in terms of Afs. per bag, the leasee makes money when wheat is abundant and there is a large volume moving through the bazaar. Because the consumer ultimately pays all the costs of moving wheat through the bazaar, the tax in kind punishes consumers during times of scarcity.

In addition to the grain bazaar, Kotab Khan also has the lease on the two livestock markets in Kabul. Naqash, the largest of the two wholesale markets, is located at the east end of the city on an unimproved site near a large housing development. As with the grain bazaar, the land comprising the market area is owned by the government and the lease is auctioned off annually. In 1350, the lease was auctioned off for 1,600,000 Afghanis. Kotab Khan and his employees collect the money by levying a charge against the sales of livestock as the animals are taken out of the market. The cost is 2 Afs. per head for sheep and goats, and 5 Afs. per head for large animals. On a typical summer day, there will be four or five thousand head of livestock coming through the Naqash market.

Another wholesale market run by Kotab Khan is Dasht-i-Barchi, located on the opposite end of Kabul west of Kota-i-Sangi. Like Naqash, this market is also leased by Kotab Khan and his associates, but it is smaller and only handles about 600-700 head of livestock per day. Kotab Khan pays the owner of the land a small amount, 2,000 Afs. per month, but the owner is quite happy to have the

market there as the increased economic activity brings more revenue to his shops surrounding the market.

Both wholesale markets have a number of persons performing different economic functions. The representatives of Kotab Khan collect the revenues from buyers leaving the market and maintain order in the market. There are also a number of traders who perform on their own account or act as agents for buyers and sellers. However, many flock owners bring their own livestock directly to the market and do their own selling. Always the market is crowded with people carrying out other functions. There are melon sellers, hay sellers, karachi drivers, sheep shearers, wool buyers, food sellers and others who merely come in from idle houses to be with their friends.

Most of the livestock in the wholesale markets are sold to butchers who own small retail outlets. The sheep are purchased singly or in flocks that can be "stored on the hoof" by driving them around the streets of Kabul at night, letting them feed on fallen tree leaves and other matter left in the street. The butcher can then slaughter several a day as needed. These retail butcher shops are located in clusters throughout Kabul. The clusters are usually part of a shopping district and, in fact, their locations are probably a valid indication of the city's functional economic areas. Although the number of shops varies throughout the year, at any time there are at least 300 actively engaged in business. The shops are usually two-man operations that handle from two to ten sheep, goats or livestock a day. The typical shop will have about 6,000 Afs. worth of equipment that will include scales (2,600 Afs.), weights (500 Afs.),

hooks (1,000 Afs.), knives (200 Afs.), a ferocious looking axe (200 Afs.) and about 2,500 Afs. worth of fixtures. Some shops may also have a grinder that costs about 2,000 Afs.

In retail sales, the butcher can expect to derive the following sources of revenue. First, the mutton is sold at 15 to 20 Afs. per pow depending on the season. In the winter when mountain passes are closed, mutton prices are often as high as 20 Afs. per pow, and in the summer, fall to about 15 Afs. per pow. Next, the tail fat is sold at prices ranging from 25 to 28 Afs. per pow depending on the season. Finally the by-products are sold with the casing for 60 Afs., the head for 12 Afs., and the viscera for 10 Afs.

In any cluster of butcher shops, the prices charged will vary little from shop to shop because of the highly competitive nature of the industry. However, the butchers do engage in non-price competition by offering "Salam" credit (allowing regular customers to pay at a later date), and also by giving special cuts. Sometimes butchers also engage in sharp practices such as substituting goat meat for mutton and ewes for rams. As rams are considered to be better tasting meat than ewes, butchers will occasionally use fat tissue to construct a male sexual organ to attach to female carcasses, thus deluding buyers. However, prudent shoppers often verify the sex of the animal by giving the organs a sharp yank.

The competitive nature of the retail meat industry is also evident in the case of exit and entry into the business itself. The steps to entering the retail butcher industry are as follows: First, the aspiring butcher must work as an

apprentice for three to eight years; there he learns to buy sheep, slaughter them (according to religious principles), skin the animals, cut the meat, and finally to sell the product. Next he must obtain capital by saving, borrowing or by agreeing to share the profits with his co-investors. After locating a shop to buy or rent, the prospective retailer then must go to the district "leader of butchers," a butcher elected to maintain a liaison with the municipal government and to make arrangements to get the license from the municipality.

The frequent shifting of retail meat stores attests to the apparent ease of entry and exit from the industry. Also, clusters of shops begin and disappear according to supply and demand. In the last year there have been about a dozen new butcher shops that have opened up in Kota-i-Sangi near the crossroads. On the other hand, several years ago when there was speculation that the city would overtake Darul Aman, a cluster of shops opened near the old palace. However, as there was not enough business to sustain an operation, they eventually closed.

One of the most interesting aspects of Kabul's livestock bazaars is the trade in camels. Camels are still used extensively for transport, primarily in the rugged mountain area along the Pakistan border. In the summertime, traders from this area come to the bazaars in Ghazni and Kabul to trade camels. According to Kotab Khan, there are three basic types of camels seen in the livestock bazaar in Afghanistan--the Mahi, the Kandahari, and the Sindi or Punjabi.

The Mahi camels are used extensively for caravans in the northern parts of Afghanistan, such as Mazar-i-Sharif, Kunduz and Faryab. These camels

have a short neck, heavy wool and are very strong. The Mahi camel can carry 80 seers for long distances. However, they are not well adapted to mountain travel and do require large amounts of food. A Mahi camel costs about 15,000 to 20,000 Afs. in the bazaar.

The Kandahari camels, used in the southwestern parts of the country, travel rapidly and well in mountains; however, they can only carry from 30 to 45 seers. A Kandahari camel costs between 12,000 and 15,000 Afs.

The Sindi or Panjabi camels are used in the southeastern parts of Afghanistan. They are not as strong as the Mahi or Kandahari and do not do well in cold weather; hence, they are used mostly for migratory work, bringing traders into Afghanistan in the summer and heading back south in the winter. These camels cost between 8,000 and 10,000 Afs. One other highly specialized camel is used along the Iranian border. Called the Windy camel, this type can run very rapidly, almost as fast as a horse. As they do very well in sand, they are used extensively in desert areas. Because the Windy camels are so specialized, they are seldom seen in the Kabul livestock bazaars.

There are two other wholesale markets in Kabul that are privately operated. The melon market located in Karte Parwan is owned and operated during the summer months by Salam Jon. This market has a total of about 160 people engaged in buying, selling and handling melons. When the melon crop is good, about 300 trucks a day arrive from the north from mid-July through late September. It is interesting to note that the same conditions that produce a good wheat crop are detrimental to melons. When there is sufficient moisture, the

wheat crop is abundant, but the melons are attacked by disease. Abundant moisture also retards the grape crop in the Kodaman Valley as it stimulates anthracnose, although this disease can be controlled with chemicals available on the bazaar.

The owner of the melon market, Salam Jon, has been actively engaged in exporting the highly desirable "kharbooza" melons to Pakistan and India. His brother, Afghan Jon, is a large exporter dealing in dried fruits. The entire family understands the exigencies of foreign trade. Exporting melons from Afghanistan is not an easy task; along with the normal difficulties of crossing an international border, Salam Jon is faced with a single buyer in Pakistan, or in economists' jargon, a monopsonist. The dealer who controls melon buying in Peshawar is a very large operator with over ten million Afs. in working capital. Conversely, Salam Jon and the several other businessmen who export melons only have about two million Afs. working capital. If the melon exporters sell to the large buyer in Peshawar, he will purchase only at a low price. If the Kabul exporters attempt to bypass the Peshawar buyer and sell in Rawalpindi, he can follow their shipments with a truck load of his own melons and undercut their price. Thus, the Kabul exporters are in the classic situation--several sellers faced with one buyer. The obvious remedy is for the sellers to conspire and gather their market power in order to deal effectively with the Pakistani buyer.

Another private market in Kabul is the wholesale center for fruits and vegetables. This market is also located in Karte Parwan across the street from Salam Jon's melon market. The owner is Sadu Khan who has been there for seven

years. He derives his profit by collecting a tax of one Af. on each box of fruit or vegetables that leaves the market.

There are threads of commonality connecting Kotab Khan and the agribusinessmen described above. They are all profit-motivated entrepreneurs with sufficient capital who would like to improve their facilities and to make more money. However, they all face situational constraints. Kotab Khan and his associates are constrained by the short length of the lease of the Kabul grain bazaar. All are constrained by a lack of knowledge about how to improve the markets, plus the limitation of having facilities that work with only a modicum of efficiency. However, in the coming years as the population of Kabul grows, other markets will develop and encroach on their business. Already, competing small scale markets are developing on the periphery of the city and will ultimately become more important factors in the food distribution system of Kabul

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JALIL JON

Foreward

Jalil Jon's son and I first met in the Kabul money bazaar during 1971.

At first our relationship was strictly commercial, based on my need for Afghanis and occasionally other currencies, and his desire to do business. After several months, we became close acquaintances, meeting for tea, and he came to my office for short visits. When Jalil Jon's son took me to his father's shop, it first struck me as strange, a small almost empty cubicle with two men in western dress sitting cross-legged on a carpet; but later I discovered what was described as a "shop" was really an office for this small scale importer-exporter. These petite bourgouise are the mainstay of the Kabul bazaar.

In keeping with the ethics of the case study method, Jalil Jon's true identity has been concealed, but the description of his lifestyle and modes of operation are recorded as they were observed. The following paper begins with a description of Serai Nur Mohammad where Jalil Jon conducts his trade, and then describes his business operations in considerable detail.

**JALIL JON - AN URBAN BUSINESSMAN ENGAGED IN
IMPORT AND EXPORT**

by

Douglass G. Norvell

Serai Nur Mohammad

Serai Nur Mohammad is one of several hundred enclosures located in the vast commercial areas of urban Kabul. The serais grew out of the traditional enclosures that once provided safety, comfort and trading opportunities for the caravans enroute from Samarkand, Bukhara, Turkestan and other areas north of the Hindu Kush to the Khyber Pass.

While trucks have largely supplanted camels, and the traders are sedentary instead of mobile, the basic design of the serais has remained unchanged throughout the years. Serai Nur Mohammad is a courtyard of about 30 meters on each side; on the ground floor are 25 small open-fronted shops displaying a variety of goods that are sold at both wholesale and retail. On the second level, there are small apartments, some of which are occupied by shopkeepers who have homes in rural areas. In the center of the serai, there is a sunken courtyard where goods can be stored until sold.

Like most of the serais in Kabul, Serai Nur Mohammad is closely identified with a group of products. In this case, sellers in the serai deal mostly in imported manufactured goods used in automobiles, such as tires, batteries, and accessories; however, any other goods can be handled within the limitations im-

posed by space, location and finance. The method of identifying products with serais is quite effective in a society where the literacy rate is low; one can ask the name of a serai where a product group is handled, the approximate location and then find the place with little difficulty by asking on the street.

There are identifiable serais for product groups like cloth, automobile accessories and used parts, dried fruits, grain, used clothes, shoes, new cloth remnants; and Serai Shazda where virtually all kinds of foreign exchange can be obtained. Also, there are about 30 trucking serais, mostly on the periphery of the city where truckers partly make arrangements for hauls, and do maintenance work on their vehicles.

With the exception of the grain serai, the serais are privately-owned and operated. The shopkeepers pay rent to a seraidor, who represents the owner with the responsibility to maintain order and protect the shops when the owners are absent. Also, as we shall see, the seraidor has quasi-official duties.

Jalil Jon

Like his father and grand-father before him, Jalil Jon sits in his shop most of the day. At one time, the Jalils were prominent merchants and had a working capital of about 2,000,000 Afs. that they used to import bicycles, steel beds and a wide range of luxury items. However, 10 years ago disaster struck the family business when a fire burned Serai Ali and destroyed most of the Jalil's

stock. Now, with his capital reduced to about Afs 600,000, Jalil Jon imports tires, dried milk and facial cream, and exports sheep casings and occasionally dried fruit.

Steps in Obtaining an Import - Export License

Fortunately, Jalil Jon's family was established in the business and he did not have to go through the complex process of applying for and obtaining an import-export license. He described the process as follows:

Step I - The prospective importer - exporter must establish a bank account. For this, he must take four photographs and his tasquera (I.D. Card) to one of the commercial banks and fill out forms with his personal data.

Step II - The applicant then goes to the Chamber of Commerce where he must demonstrate that he can read Farsi and Pushtu, and advises the Chamber on his capability in other languages. The President of the Chamber then authorizes the administrative branch to issue two forms: one to certify the applicant's residence, and the other to obtain three guarantors who certify that they will be responsible for his actions.

Step III - The applicant takes the residence requirements and presents it in turn to the head of his neighborhood (Malik), the head of his district (Naheya), the municipal offices (Calantor), the sergidor, and the police station. At each location the form must be signed and stamped.

Step IV - Then the applicant takes the form for the certification of his guarantors. The form with the pictures of the guarantors must be cleared with the Da Afghanistan Bank's foreign exchange department, the Ministry of Finance (Mustufiat), and within the Ministry of Finance he must go to : 1) the import branch, 5 different sections that represent trades; 2) the taxation branch, with 6 sections for transportation taxes; 3) the rentals branch; 4) the commercial industries branch; 5) back to the import branch; 6) back to the taxation branch where they take all of the forms certifying his guarantors and issue him another form.

Step V - The applicant returns to the Chamber with his documentation of his guarantors' certificates. He then fills out a form with more personal data and information on his business, such as the amount of capital, telephone number, bank account number, etc. The data is all prepared for his license, and the three guarantors come in person to meet with the president of the Chamber, who being assured of their existence and reputability, signs the applicant's license form.

Step VI - The applicant goes to the license department of the Chamber where they request the controllers office to give the applicant a license identification number. The applicant then pays a license fee of Afs. 3,110.

Step VII - The applicant then goes to the government printing press to buy ledgers and bill books for which he pays Afs. 180.

Step VIII - The ledger and bill books are taken back to the Chamber where each page is stamped and numbered. Also, photographs are attached to the license and it is delivered to the president of the Chamber who grants the license.

TRANSCRIPTION - ORIGINAL FOLLOWS

Step IX- The applicant then takes the license to the foreign exchange department of the Da Afghanistan Bank where his license number is recorded, signed, and stamped.

Step X- The license is taken to the Ministry of Finance where all of the pertinent data about his license is recorded and a photograph is required.

Step XI- The license is taken to the president of Customs, who along with the vice-president, signs and stamps the license and requires 2 photos.

Step XII- The applicant then goes back to the Chamber where he gets a form to be filled out and sent to the Afghan trading agencies in Meshed and Peshawar. These trading agencies are official bodies set up by the government to facilitate trade transactions at the ports of entry.

Step XIII- The forms for the trading companies are taken to the Ministry of Commerce where they are photographed and sent to each of the trading agencies. Then the Ministry of Commerce certifies that the copies have been sent to the trading and the license process is completed.

The incredibly complex procedure to obtain a license to import and export takes at least a month to complete. Besides the official tax of Afs. 3,110, expenses for photos, photo copying and for books, the applicant can expect to pay informal taxes or expediency charges at each office. These payments range in size from Afs. 10 and up. Also, the number of visits that the applicant must make to the various offices will vary with the amount of preparation that he has

TRANSCRIPTION - ORIGINAL FOLLOWS

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also vary from time to time, so recalling that Jalil's description was taken from memory, it should be considered an illustration rather than a guide.

Importing and Exporting

Jalil's activities in importing and exporting require a process that is also complex, but not as lengthy as obtaining a license. To illustrate the process, Jalil used the example of sheep casings.

Sheep casings or entrails are an important export item from Afghanistan and eagerly sought by buyers in Germany and Beirut, who deal with about 30 Afghan exporters through their commission agents. The casings have a wide variety of uses, particularly for sausage skins because of their digestibility.

Jalil has a representative in the northern provinces who buys his casings. Before being shipped to Kabul, they are cleaned, salted, pumped full of air to find holes, and then trimmed to eliminate leaks. Then they are measured to conform to a 14 to 20 millimeter size and coiled in 20 meter lengths and finally packed 1,000 to a box or drum.

After receiving the casings in Kabul, Jalil ships them to his agent in Beirut or Germany by surface and the agent finds a buyer. The agent will then send a telegram to ask Jalil's agreement on a price. Occasionally, when the market is good, the agent will advise that the casings be sent by air.

The procedure to be followed in exporting casings is as follows:

Step 1 - A permit to export the casings is obtained from the Ministry of Agriculture and Irrigation.

Step II - The casings are transferred to the Kabul Customs House, where:

- 1) the exchange department certifies that it is not in arrears on customs duties,**
- 2) the containers are certified that they do not contain contraband, 3) they are weighed and measured, and 4) about 20 offices are visited to obtain signatures and stamps.**

Step III - The shipper goes to the Da Afghanistan Bank and pays the duties.

Step IV - Arrangements are made for shipping and the goods are shipped to his agent in Germany or Beirut.

The process of importing is equally as tedious as exporting merchandise directly. Jalil goes through the following process:

Step I - He addresses companies and orders catalogues. His English is sufficient to accomplish this.

Step II - He writes to the company and asks for samples and price lists, F.O.B. at the factory, or C.I.F. Karachi.

Step III - He places an order and the company responds with a proforma invoice that specifies the amount of the advance payment that will be required and the delivery date.

Step IV - Jalil sends a payment (usually about 80 percent) to the company. To make this payment, he goes to the money bazaar and buys a check, usually in dollars, that is drawn against the money changer's U.S. or European account.

Step V - The company ships the goods and sends a bill of lading with packing lists to Jalil.

Step VI - Jalil sends a copy of the bill of lading to a freight forwarder of his choosing in Karachi.

~~Step VII - The freight forwarder arranges for their shipment to Peshawar.~~

Step VII - The goods arrive at the freight forwarders office in Peshawar and he clears them with the Afghan trade agency.

Step IX - The goods are shipped to the Kabul Customs House. The merchant then receives the shipping documents, pays the shipping charges, and presents the documents to the customs house.

Step X - The customs house estimates the duties, which are normally levied against the weight of the items. The merchant inspects the goods for shortages and damage. If satisfied, he pays the duties.

Step XI - The merchant then clears the documents in about 20 offices in the customs house, and in each office a signature and stamp is required.

Step XII - The exit papers are shown to the gate and the goods are taken to his shop.

If goods are ordered through a local dealer, the process of importing is much more simple. In this case, Jalil simply goes to the dealer, places an order with a 50% deposit and then receives the goods when they come.

Jalil's Business in the Money Bazaar

Two years ago, Jalil wanted to introduce his 18 year old son to commercial activity and decided that he would establish him in the money bazaar, Serai

Shazda. Serai Shazda is located on the Kabul River near the Pul-i-Kheshti. Although it was formerly a radio bazaar, radios have largely been replaced by money changers. There are about 30 shops, mostly owned by Afghans of Indian descent, and Kabulis. The serai is privately owned and operates as a free money market.

The money changers in Serai Shazda mostly serve merchants by changing their currencies, or by selling checks in pounds, marks and dollars to be used in ordering merchandise from foreign suppliers. Usually they charge about .0010 to .0025 commission to change from one currency to another on commercial transactions. The larger the transaction, the smaller the rate of the commission. Several of the money changers also convert currency for tourists, charging a much higher commission usually about .01-2 on each transaction. Because of the wide range of activities and international travellers coming into Kabul, one can purchase US dollars, Russian rubles, Pakistani and Indian rupees, German marks, Swiss and French francs, as well as gold, silver, and jewels. Also, virtually any currency in the world can be purchased if an order is placed several days in advance. Several of the money changers will also sell credit balances that can be transferred to other countries. For example, if a person in Kabul wants to send money to India, he can make payment in Kabul (in any currency), obtain a payment receipt and send (or carry) it to India. There it is presented to the money changer's and payment is made. This is an extremely convenient device for persons who do not wish to be bothered with currency restrictions.

The money changers also do some lending. Most of the lending is for short term commercial uses and at an interest rate of about .015 per month, depending on the degree of confidence between the lender and the borrower.

For small loans, gold, silver and other jewelry can be used for collateral. For larger loans, houses or other real estate is often required. For merchants with close ties in the money bazaar, lending is often done without collateral.

When Jalil decided to establish his son in the money bazaar, he put up 550,000 Afs. capital to conduct transactions and pay other expenses. The shop rental was Afs. 1,000 per month and other costs were about Afs. 1,000 a month including telephone and mailing expenses.

Jalil's son was not successful in the money bazaar, largely because he lacked good information. Because he went to his shop at noon every day, he was often unaware of changes in currency rates that had taken place in the morning. The larger money changers, with telephone and telegraph connections in the money markets of India and Pakistan, were more aware of day-to-day financial developments and often sold him depreciated currencies at the previous day's rate. Also, he was often deceived by other sellers who created an artificial price for a given currency. For example, if the price of dollars had fallen in the morning, a neighboring shop would send in a succession of people asking for dollars. Then, another would come in offering dollars for sale. Thinking that dollars were in strong demand, Jalil's son would then buy at a premium, only to discover that he had been deluded.

Another difficulty, which he shared with many shopkeepers in the money bazaar, was with personal and traveller's checks issued by foreigners.

Although all the personal checks that were returned were eventually collected, many traveller's checks were not. Over a period of one year, Jalil's son lost between Afs. 120,000 to Afs. 130,000 cashing checks to citizens of the United States, Canada, France, Germany and others. It is common for unscrupulous travellers to cash traveller's checks then report them lost, obtain more, and proceed on their way. The money changers are then without recourse, as the traveller's checks are returned from the company as invalid.

The combination of disadvantages in competing with the larger shopkeepers and an abrupt change in the world currency markets caused Jalil's son's business to collapse. When the first dollar crisis erupted, the Afghani appreciated sharply. After the money bazaar was closed for 24 hours, Jalil's son was holding large amounts of foreign exchange and the immediate losses caused him to decide to close the shop. After one year of business, they had lost most of their original capital.

Profitability of the Import and Export Operation

Although Jalil's excursion into the money bazaar was a financial failure, his import-export operation is a steady source of income. He estimates that he turns over his capital stock 2 times each year and, on a good market for import or export, he will often make a profit or 40 or 50 percent above

the cost of goods. After paying his expenses for the shop and other costs of doing business, he clears about Afs. 10,000 per month.

In his pricing policy, Jalil is a price seeker, rather than a price taker.

Unlike sellers in the large organized markets such as the Kabul grain bazaar, who simply sell at the market price, Jalil watches and waits for the right buyer and frequently holds his goods off the market for extended periods of time.

Also, he sometimes sells on credit to retailers. As is the custom in Afghanistan, the costs of the credit are reflected in the price paid for the merchandise. On a credit sale, the price is slightly higher.

Jalil feels that as a small merchant, he is at a considerable disadvantage in the marketplace and misses many of the opportunities available to those with more capital. For example, foreign companies are understandably more eager to deal with large buyers and will offer them discounts when they place large orders. Also, where small traders must write for price lists and samples, large buyers receive them automatically. Jalil feels that he has often been taken advantage of by agents and distributors of companies who maintain local office. Some agents accept orders and, if the market is good when the merchandise arrives, sell it themselves and then tell the merchant who ordered the goods that there will be a delay in delivery.

There are other dangers inherent in his business, particularly on the import side. Unscrupulous merchants have been known to accept orders with a twenty percent deposit and then not to ship the merchandise. Goods in ship-

ment are subject to force majeurs, such as perishing, which is not covered by insurance. Retailers may default on debts, and if a merchant has served as guarantor for another merchant, he may incur liability as a result of the guarantee's actions.

In spite of the disadvantages of being a small merchant, Jalil is happy with his lot. He makes a comfortable income, is his own boss, and has the satisfaction of bringing good products to people who need them.

MOHAMMAD YUSSOF

**Mohammad Yussof
Ahmad Shahi Market
Kabul, Afghanistan**

by

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Foreword

The newcomer to the Kabul bazaar is invariably overwhelmed by the large number of small shops. Sometimes scarcely wider than a man's shoulders, these shops carry merchandise especially designed for the low and middle groups of Kabul. It is difficult to believe, but a fountain pen from India can be purchased for 6 Afs. at retail. It is actually a fountain pen (not a ballpoint) that was manufactured, packaged, merchandised, transported to Kabul, imported, distributed by a wholesaler and sold to a consumer at less than ten US cents. We expressed our amazement and then went on to the next item in the checklist "mail facilities."

"Yes, we get mail in our shop, just address it to me at Ahmad Shahi Market and it will come directly here even if it is written in English," said Mohammad Yussof. "When my oldest son was studying in the United States, he used to write me each week and I would show the letters to all of the other shopkeepers." "Even though this is a large serai and one of the most important in Kabul, everyone knows everything about the other shopkeepers and their families," he said and turned to a customer who fingered a pair of earrings for more than the few seconds associated with casual interest.

Mohammad Yussof
Ahmad Shahi Market
Kabul, Afghanistan

by: Douglass G. Norvell and
Mohammad Naim Dindar

Ahmad Shahi Market:

Ahmad Shahi Market is located at the corner of the two busiest pedestrian streets in Kabul. It is less than 100 meters from the grain bazaar, the tea bazaar, the money-changers, the central post office, and is an ideal location for retail merchandizing. Like most of the serais in Kabul, it is enclosed and the entrances are not marked from the outside. To shop for the cosmetics and sundries that most of the shops handle, you simply have to know where it is.

Once inside Ahmadi Shahi Market, the visitor is confronted with a bewildering array of shops, all open-fronted and operated by an owner who can usually be found relaxing among his display. Even though the serai is only about 30 meters on each side, there are about 134 shops, each about 2.5 meters wide and 2.0 meters deep. Even though most of the sellers are Pushtuns, the serai is fully integrated with Tajiks, Hazaras, Uzbecks, Hindus, and Sikhs, all of whom are male. The predominance of males in the Afghan bazaars is total. Except for beauty and tailor shops in the Shar-i-Nau area of Kabul, women simply do not operate businesses.

The owner of this serai, who is represented by his employee, the seraidor, is a Farsi speaker from Logar, who is probably a Tajik. He is a progressive traditional businessman who has consistently improved the physical facilities of the serai. While the serai is clean and cool, it still does not have running water or a restroom. In the last year, the serai owner installed sidewalks, built a new roof, and a second floor to house more shops. To finance the recent improvements, he solicited 17,000 Afs. from each shopkeeper last year. Those who did not pay would have been asked to leave the serai. While this may seem brutal, the reader should keep in mind that as the serai improves, the value of each shop increases. As shopkeepers can sell their right of occupying a space upon leaving the market, it is reasonable to expect them to finance construction, particularly since the rental costs did not increase when the facilities were improved.

Mohammad Yussuf:

Mohammad Yussuf came to Ahmad Shahi Market in early 1350. He made the decision to open a shop shortly after retiring from the municipal government where he worked for 36 years. At that time, his retirement pay became 92% of his monthly pay of 3,950 Afs.

To secure the capital for his shop, Mohammad Yussuf "girowed" his house to a friend. Under the rules of "girow," the lender takes possession of his house or land until the borrower returns the money. In this case,

Mohammad Yussof "girowed" his house and will pay 4,000 Afs. each month to pay off his loan of 200,000 Afs.

For a short time, Mohammad Yussof occupied a shop in the next serai which he sublet from a shopkeeper. However, he wanted to become an established member of a serai, so he engaged a "dalal" to locate him a shop. The dalals are shopbrokers who locate buyers and sellers together whenever a party seeks or wants to dispose of a shop or merchandise. For this service, the dalal receives about 400 or 500 Afs. from the buyer or seller, depending on who engaged him. There are about 4 or 5 dalals who work in the area around Ahmad Shahi Market, and they apparently have no special tribal or family connection.

The total investment required for the shop was 190,000 Afs. Out of this sum, Mohammad Yussof paid 100,000 for the right to occupy the site, 80,000 for the inventory of the shop and 10,000 to the serai owner. Once in the shop, Mohammad Yussof must pay 670 Afs. per month rent, along with the unscheduled assessment for improvements. In return, he has the right to occupy his shop for business purposes and to sell it when he leaves. Like most of his colleagues he hopes that the value of his site will continue to increase. Last year, shops in the central part of the serai appreciated from 90,000 to 100,000 Afs. Other shops with desirable locations near the door leading to the street have values as high as 150,000 and 200,000 Afs.

Relations with the Government:

In the laisse faire atmosphere of the serai, the influence of the federal and provincial government is scarcely felt. Mohammad Yussuf only has to renew his license each year and to pay his taxes. The license application and approval process is uncomplicated and a prospective seller can apply for and receive a license in one day. Mohammad Yussuf does not have to pay "baksheesh," which is an expediency charge, although this may be because of his long service with the municipality, where he was impeccably honest.

For administrative purposes, Kabul is divided into 12 districts. In each, the district administrator called a "Mudir Naya" is in charge of issuing retail licenses. Wholesale licenses are issued by the Ministry of Finance.

Mohammad Yussuf pays two kinds of taxes. One tax, called the "Royal Tax," is paid to the municipality and consists of one month's rent each year. Another, called the "Income Tax," consists of two months rent paid each year to the Ministry of Finance. The taxes are reviewed and each business is classified, according to type, each year by the "hayat," which is a committee designated by the municipal government.

Relations with other Sellers:

The shopkeepers in Ahmad Shahi Market enjoy a competitive, but cordial relationship. Each morning, Mohammad Yussuf ritually greets his colleagues in keeping with Afghan custom. However, in his pricing practices, he competes

fiercely and there is little collusion between sellers. When dealing with customers, shopkeepers try to avoid exposing their selling price to other shopkeepers often speaking in muted tones or using gestures.

In matters of common interest, shopkeepers cooperate for the common good. They watch each other's shops and make change freely. Mohammad

Yussuf often begins a day with little or no cash on hand, relying on his colleagues to help him handle bills of a large denomination. Also, sellers frequently lend to each other both in commodities and cash. Lending between sellers is called "quarz-i-ghasna" and it is considered bad form to ask for repayment from one's neighbors. However, when sellers make purchases on credit with wholesalers outside the serai, the lender comes on a regular basis to collect. This type of credit is called "ograie." A typical ograie credit arrangement would be as follows: A retailer would buy 10,000 Afs. of merchandise on credit with no down payment. Then the debtor would come twice each week to collect. When a payment is missed, there is no immediate penalty although the borrower's ability to secure future loans will be constricted.

Whenever conflicts arise between shopkeepers, every effort is made to settle it within the serai. Frequently, the oldest man is asked to arbitrate disputes. Mohammad Yussuf estimates that about 10 serious disputes occur each month. For example, during one of our interviews, a dispute had just occurred between a Hindu and a Moslem. The Moslem owed money to the Hindu and they had a scuffle over the amount. In the scuffle, the Hindu pinned the Moslem to

the ground and caused him to lose face. Later the Moslem returned and hit the Hindu with his fist. The Hindu wanted to go to the police, but the other shopkeepers prevented him and the matter was settled.

Relations with Customers:

Most of Mohammad Yussof's customers are men; many of whom do all of the family shopping. Sales at retail are about 75% cash and 25% credit. Credit sales carry a higher price, usually about 5% of the total. Very few of the sales are on a barter basis, and those are usually between shopkeepers. All transactions are in Afghanis and Mohammad Yussof will not take other currencies in payment.

Transactions are always accompanied by haggling between buyers and sellers with other shopkeepers trying to listen in. As in other Moslem markets, an offer to buy, or an offer to sell that is out of bounds may be taken as evidence of insincerity and terminate the bargaining.

Gross Sales and Profits:

Mohammad Yussof views his shop as the best possible use of his 200,000 Afs. capital. Although he is functionally literate in Farsi and Pushtu, he does not keep written records and the following sales figures are approximations recounted from memory.

The gross sales for the shop are about 990,000 Afs. per annum. He operates from 7:00 a.m. to 7:00 p.m. every day, but Fridays, Mondays and Thursdays are the high volume days. In the summer on a good cool day, he will gross about 1,500 Afs. and on a hot day about 500 Afs. During the winter, if the weather is inclement, he will gross only about 500 Afs., and if the weather is warm and sunny about 1,000 Afs. During both Eids and the Jeshyn holidays, he will gross about 8,000 Afs. per day. During these holiday periods, many people come from the provinces to visit Kabul and to shop. Also, there is considerable competition between families to display newly acquired goods.

Most of the goods that Mohammad Yussuf sells carry a markup of between 8 and 33%. Table 2 gives a listing of the country of origin, buying price and selling price of some of his goods. Of his imported goods, which comprise 95% of the total, he reports that the customers have preferences for goods from countries in the following order:

- | | |
|------------|---------------------|
| 1. England | 6. Russia |
| 2. Japan | 7. India and Sweden |
| 3. U.S. | 8. Pakistan |
| 4. Germany | 9. Iran |
| 5. China | |

TABLE 2 : Data on Goods Imported by Mohammed Yussuf

Article	Country of Origin	Buying Price	Selling Price	Markup as a Percentage of the buying price
		<u>Afs/Ea</u>	<u>Afs/Ea</u>	<u>Percent</u>
1. Toothpaste	India	10	11	10
2. Lemonade Mix	Pakistan	18	20	11
3. Safety Razor	Pakistan	4	5	20
4. Facial Cream	Iran	35	40	14
5. Perfume	Pakistan	8	10	25
6. Shoe Cream	Pakistan	16	17	6
7. Fountain Pen	India	15	20	33
8. " "	India	5	6	20
9. Hair Dye	Pakistan	6	7	17
10. Soap Dish	Afghan	4	5	25
11. Sunglasses	Italy	45	50	11
12. Comb	German	10	11	10
13. Shoe Brush	China	12	13	8
14. Soap Dish	Hong Kong	12	13	8
15. Baby Soap	England	10	11	10
16. Istalef Cloth	Afghan	18	20	11

17. Baby Pacifier	India	3.5	4	14
18. Straight Razor	Russia	90	100	11
19. Purse	Iran	80	100	25
20. Earrings	India	15	20	33
21. Pencil Sharpener	China	2	2.5	25
22. Thimble	India	1.5	20	33
23. Ink	Afghan	7	7.5	7
24. Hairpins	India	5	6	20

Out of the 990,000 Afs., Mohammad Yussof nets about 99,000 Afs. per annum. Besides his product costs, he pays 25 Afs. per month to the chawkidar who watches the serai at night, 100 Afs. per month for electricity, 200 Afs. per month for "baksheesh" to the poor, and 480 Afs. for food for he and his sons who frequently visit the shop.

Mohammad Yussof makes a return of about 27% on the capital that he has invested in his shop. This is calculated as follows:

	<u>Afs. Per Annum</u>
1. Gross Profit	99,000
2. Less Opportunity cost of his labor 12 months	47,400
3. Returns to capital	51,600

Based upon an investment of 190,000 Afs., this is a return of 27%.

It is interesting to note that the friend who took Mohammad Yussof's house earns a return of 48,000 Afs. per annum for an investment of 200,000 Afs. or a return of 24% per annum, which is nearly as much as Mohammad Yussof makes on his investment. However, Mohammad Yussof's investment enables him to have steady employment and enjoy the pleasures of the serai.

Among the pleasures of being a shopkeeper is being able to work with his sons. Each day after school, one of his sons will come and join him to learn about the bazaar. When Mohammad Yussof leaves the shop, his 16 year old son can take complete charge of selling and can close up the day. Because of the firm tutelage, the son seldom makes a mistake. Also, Mohammad Yussof enjoys shopkeeping because it is an honest activity and one where time is not wasted. Another compensation is being one's own boss, undoubtedly a luxury after 36 years of government service.

Being a shopkeeper also has problems. It is sometimes difficult to handle alone and requires great patience. Unless one of his sons is there, he can't leave the business for extended periods. Also, in severe weather, either hot or cold, the serai is an uncomfortable place.

All things considered, Mohammad Yussof is happy with his shop. He expects to continue in this activity well beyond his present 57 years and continue to give good service to his customers and, of course, make a profit.

Conclusions

The bazaar is indeed an interface where multiple and opposing aspects of Afghan society are resolved. As Centlivres (3) has specified, it is the prime means of communication between rural and urban interests, as well as between groups with diverse backgrounds. As Scott (44) has demonstrated, the bazaar serves a social and religious function in addition to its economic one. Simply stated, the Afghan bazaar is a situation within which persons gather to develop common needs and interests.

Based on the literature cited and the enclosed studies, the environs of the Afghan Bazaar have the following general characteristics:

1. The Republic of Afghanistan has historically played a passive role, seldom interfering in the conduct of trade. Although we have seen in the example of Jalil Jon, that the government requires an extensive licensing process, the merchants are left largely to their own devices in day to day operations. As we learned with Mohammed Yussof, the taxes imposed by the government are not only low, but are arrived through a simple process. Although the writer's remarks will undoubtedly provoke the ire of select businessmen engaged in export, the vast majority of bazaar merchants operate in a free market. The statement gains validity when one compares the Afghan merchant with his Western European-North American counterpart who is routinely faced with price controls, quality inspections, taxes on income accompanied by auditing, sales taxes and a host of other policing measures. Finally, the passive role of the government

is emphasized by its polite refusal to implement most of the plans outlined by foreign experts, who more often than not call for intervention in the marketplace.

2. The bazaars are largely governed by social forces that strengthen and support economic relationships. As we have seen in the studies of Azim Khan, and from Barry's (2) description of the Herati merchants, family ties are often the cohesive force in business enterprises. Managers can always depend on a brother or cousin to perform as required. In the absence of a civil authority, family loyalties insure that a business associate will not withhold profits, or otherwise defraud his colleagues. In the absence of government taxes, the studies on Haji Sultan Mohammad and Mohammad Yussof demonstrate how religious taxes and a spirit of generosity serve to support those who cannot fend for themselves. While this conclusion is to some extent contradicted by the observations of Barry (2), the traditional welfare system has served to maintain order during times of crisis. Finally, the means of conflict resolution as described in the study of Mohammad Yussof is an example of how bazaar merchants rely on their own mechanism to accomplish what formal legal systems do in industrialized societies.

3. There is a functioning spirit of cooperation among bazaar merchants that transcends tribal barriers. Recognizing a commonality of interests, Kotab Khan, a Pushtun, joined forces with a Hazara to manage the grain bazaar, hence overcoming a cultural barrier. In credit relationships, Mohammad Yussof evaluates clients on the basis of their business practices, rather than on tribal affiliations. Azim Khan accepts "halawas," or written

promises to pay, from a variety of merchants.

4. There is a prevailing entrepreneurial orientation among bazaar merchants.

Faced with a fair return on investments, all of the merchants studied move deliberately with substantial amounts of capital into areas of opportunity. Haji Sultan Mohammad, a grape grower and cloth seller, seized the opportunity to buy a bus and make a profit. Jalil Jon lives by his skill in trade in spite of the fact that he is continually at a disadvantage as compared to larger volume merchants.

5. The bazaar is capable of moving large quantities of product at low margins. As Manly (10) pointed out, the bazaar system can move a million tons of grain between provinces each year, and still have excess capacity. The paper on Mohammad Yussof demonstrated that products come from as far as India and are still sold at incredibly low prices. Azim Khan and his associates move grain from farm to market with a modest profit margin.

6. The bazaar is a "safety valve" for Afghan society in that it provides work for otherwise unemployable people and stores their labor until needed by other sectors. As we have seen in all of the cases, the bazaar is a labor-intensive operation. The grain bazaar has literally hundreds of persons who move grain on their backs. Both Haji Sultan and Mohammad Yussof are essentially retired and use the bazaar as a means of keeping active and abreast of events. The family organizations of Azim and Kotab Khan always have room for an aspiring youth who wants to learn the trade, even though the wages may

only consist of bread and board. Thus, the bazaar not only moves goods, but also generates employment.

The traditional characteristics of the bazaar will be transformed within the near future as the forces of modernization emerge in Afghanistan. Charpentiers (4) has shown that the crafts in the Peshawar bazaar are being supplanted by imports, and deteriorating with the growth of tourism. In urban Kabul there are two examples of modernization in the bazaar. The first self service radio discount store has opened near the main radio bazaar on Jodi Nadi Phastu. This store features the concepts of modern marketing including self service, a large selection of merchandise and low profit margins. In a matter of time smaller radio shops will be forced out of existence. Another example of modernization is the employment of women clerks in a new Afghan department store, a formerly unheard of practice in the male-dominated bazaars. These are examples of many changes that will accelerate within the next generation.

The Republic of Afghanistan may be called upon to play a more active role in the bazaar within the near future. Kabul and other urban areas are growing at a rapid rate, and urbanization will undoubtedly accelerate as the "green revolution" frees labor from the agricultural sector. Increased supplies of food and other goods will be squeezed through a system that is already near capacity. What was formerly an efficient, centralized food distribution system could become fragmented and inefficient, resulting in high food costs to urban consumers. Indeed the first signs of decentralization

are apparent as wholesale activities are being carried out in Kota-i-Sangi and other peripheral areas of the city.

If the Republic of Afghanistan pursues a more active role in the bazaar, plans will have to consider the unique characteristics of the bazaar as cited above. The labor-intensive feature of the bazaar is probably the most critical.

If any plans involve the displacement of labor, the displacement should be done gradually, preferably through attrition to ease the social tensions of unemployment. The natural leaders in the bazaar should be carefully incorporated into any plans, recalling that they administer what is probably the most effective segment of Afghan society. Plans will stand or fall on the basis of how they complement existing institutions in the bazaar.

The most effective way in which the Republic of Afghanistan could improve the bazaar would be by making capital improvements and leaving the administration of the bazaar to the long standing forces. For example, if the municipality would improve the grain bazaar facilities, it could then handle more grain. More grain through the bazaar would mean greater earnings for the leasee. Greater earnings would result in increased competition for the lease, and the municipality would recoup its investment while avoiding the increases in food prices that result from moving grain through crowded inefficient facilities.

Another area where the Republic of Afghanistan could make a high return investment without interfering in the conduct of trade would be in the area of standardization. Past efforts at metrification have only been

moderately successful largely because they failed to incorporate existing institutions into the plans. The writer has often considered that a "Seer-i-Afghan" could be established with a weight of ten kilograms, which would be between the Kabul and Mazar-i-Sharif seers. The "Seer-i-Afghan" standardized weights could be emblazoned with the national symbol of crossed grain stems, and implemented through the purchase program of the Food Procurement Program by requiring that suppliers buy the weights, then submit their scales according to the new seer. In this fashion, the government could put most of Afghanistan on a standardized metric system while retaining a traditional institution.

With these conclusions, the writer and his colleagues close the discussion of markets and men in Afghanistan. The future of marketing in Afghanistan may well lie with the spoken rather than the written word. Research should be a continuing process, but action may be lagging in the case of Afghanistan. The most appropriate next step may be for foreign advisors to go into the bazaar and grapple with the buying, stacking and selling of products rather than merely observing while insulated from the reality of doing business. However, with the enclosed material they will certainly have foreknowledge of who does what, how and when in the Afghan bazaar.

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Checklist of Things to Be Considered When
Studying a Traditional Market

I. The Market

- () Physical Boundaries
- () Economic Boundaries (Trading Area)
- () The Transportation Network
- () Roads, Footpaths, Waterways
- () Ingress and Egress Constraints
- () Location of Regional Population Centers with Respect to the Market
- () Number of Permanent Shops
- () Number of Periodic Shops (those that are open only on market days)
- () Size of Shops
- () Construction Material of Shops
- () Rental Costs of Shops
- () Ownership of Shops
- () Ownership of the Market Area
- () Percent of Shops Occupied
- () Amount of Storage
- () Cost of Storage
- () Percent of Storage Utilized
- () Mail Facilities and Costs

- () Telephone Facilities and Costs
- () Other Communications
- () Transportation Facilities
- () Availability of Water
- () Availability of Electricity
- () Availability of Sanitary Facilities
- () Market Days
- () Surplus Commodities - Those that flow out of the market from aggregation points
- () Deficit Commodities - Those that flow into the market from diffusion points
- () Seasonal Fluctuations in Volume
- () Wholesale Industries
- () Retail Industries
- () Risk and Liability Norms
- () Formal Administration
- () Records Kept by Administrators
- () Taxing Authority
- () Functions of Government Banks
- () Informal Credit Mechanisms
- () Social Organization
- () Direct Supporting Activities (Food Service, etc.)
- () Indirect Supporting Activities (Bag Makers, etc.)

- () Illegal Activities

II. The Industry

- () Definition (Product or a Group of Products)
- () Locational Patterns of Sellers
- () Exit and Entry
- () Social Organization
- () Origin of Product
- () Costs of Product
- () Shelf Life of Product
- () Intermediate or Final Product
- () Fluctuations in Product Demand
- () Standards of Product Measure
- () Barter Equivalents of Product
- () Medium of Exchange
- () Contracts
- () Geographical Destination
- () Industry Structure
- () Pricing Policy
- () Price Knowledge
- () Bargaining Practices (does price or quantity change?)

III. Individual Sellers

- () Age

- () Education
- () Birthplace
- () Ethnic, racial or other locally perceived and employed criteria of identity
- ~~() Residence~~
- () Previous Occupation
- () Sales (amount per time period)
- () Size of Lots (single piece vs. large quantities)
- () Amount of Product Inventory
- () Amount of Equipment
- () Costs of License
- () Costs of Labor
- () Costs of Product Transportation
- () Costs of Taxes
- () Costs of Rent
- () Costs of Protection (private guard for the shop)
- () Relationships with Other Sellers (competition and cooperation)
- () Relationship with Intermediaries
- () Where Intermediaries Are Located
- () Frequency of Contact with Intermediaries
- () Where Customers Come From
- () Credit Arrangements

() Barter Arrangements

() Demographic Characteristics of Clientele

() Frequency of Customers' Visits

Appendix II

Information about prices and movements of commodities in Afghanistan

It is commonly assumed that there is an appalling lack of data in Afghanistan. However, the writer has found that there is an abundance of data, most of which has gone unprocessed and unanalyzed until the establishment of the Central Statistics Office in 1972. For example, the Food Procurement Department has complete records of the prices, sales and arrivals of all food grains into the Kabul Grain Bazaar for the last five years. When M. Y. Hakimi and I discovered this data, we began to publish the "Price Situation Report," a sample of which is the next item in this appendix. Also included is the Kabul Weekly Price Report, which has been published by USAID's Agriculture Division for the last five years. M. Y. Hakimi, research associate in the agriculture division of USAID, has prepared a supplement entitled, "Factors Affecting the Consumer Preferences for Items Carried in the Kabul Weekly Price Report."

Finally, and most startling, is the wealth of data collected by the research division of the Da Afghanistan Bank. The bank gathers prices of wheat, rice, vegetable ghee and mutton from all 48 of its branches each week. Also, every month an extensive list of prices of consumer goods are gathered in each of 48 branches across the nation. The list of prices is the third item in this appendix. Some researchers will raise questions about the accuracy of these data. However, it should be noted the writer and his Afghan associate have

visited over 30 branches of the bank and are assured that the data are reasonably accurate.

**List of Prices of Consumer Goods Gathered by the Research
Department of the Da Afghanistan Bank**

Commodity

1. Wheat
2. Flour (1st grade)
3. Flour (2nd grade)
4. Corn
5. Corn Flour
6. Rice
7. Vetch
8. Salt
9. Mutton
10. Beef
11. Fish
12. Milk (fresh)
13. Milk (powdered)
14. Cheese
15. Butter
16. Eggs
17. Candy
18. Chocolate
19. Black Pepper
20. Red Pepper
21. Sheep Tail Fat
22. Sesame Oil
23. Olive Oil
24. Cottonseed Oil
25. Potatoes
26. Spinach
27. Onions
28. Carrots
29. Turnips
30. Egg Plant
31. Tomatoes
32. Beans
33. Okra
34. Chick Peas
35. Leeks
36. Cauliflower
37. Pomegranates
38. Apples
39. Pears

40. Grapes
41. Peaches
42. Apricots (dried)
43. Apricots (fresh)
44. Melon
45. Almonds
46. Pistachios
47. Walnuts
48. Raisins
49. Plums (dried)
50. Sugar
51. Black Tea
52. Green Tea
53. Coffee
54. Coca Cola
55. Hay
56. Plaster
57. Glass for window panes
58. Iron Rods
59. Paint
60. Bricks
61. Gasoline
62. Motor Oil
63. Electricity
64. Wood
65. Kerosene
66. Charcoal
67. Fertilizer
68. Poppy Pods
69. Parsley
70. Carpets
71. Razor Blades
72. Women's Shoes
73. Sand
74. Cotton
75. Wool
76. Camel Hair
77. Sheep Skins
78. Goat Skins
79. Copper
80. Steel
81. Iron

**Price Situation
Report**

March 26, 1973

by

**M. Y. Hakimi
Douglass G. Norvell**

1. Wheat prices were remarkably steady when compared with last week. Only 2 locations reported a rise, and 3 locations reported a decline. The nationwide high wheat price reported was 50 Afs. per seer at Mohmoud Razi and the low was 35 Afs. per seer at Kunduz.
2. An extreme disparity of mutton prices is in evidence. Prices in the western parts of the country are about two times as high as in the northern regions. The sharp decline in the price of mutton in the northern regions is likely due to carcasses appearing on the market after the karakul pelts are taken.

Attachments

Commodities price list (3/26/73)

AGR: gn

Food Commodities Price List
Prices obtained from the Da Afghanistan
Bank on March 26 1973
Month Day Year

Prices in Afs/Seer

SUNY Code No.	LOCATION	Wheat	COMMODITIES Vegetable Oil	Mutton	Beef
0101	Kabul	44	336	400	170
0107	Sarobi	N/A	352	320	192
0108	Paghman	N/A	384	400	160
0110	Mirbachakot	43	352	394	176
0112	Qarabagh	N/A	N/R	N/R	N/R
0201	Mahmoud Razi	50	368	340	160
0207	Panjsher	48	400	288	192
0301	Charikar	46	352	352	176
0306	Jabul Saraj	N/R	N/R	N/R	N/R
0401	Maidan Shar	N/A	352	-	192
0501	Baraki Barak	43	320	278	160
0601	Ghazni	48	336	384	124
0610	Moqur	47	320	384	224
0701	Gardez	N/R	N/R	N/R	N/R
0702	Urgun	49	352	272	160
0709	Khost	N/R	N/R	N/R	N/R
0801	Jalalabad	43	304	320	160

SUNY Code No.	LOCATION	Wheat	COMMODITIES Vegetable Oil	Mutton	Beef
0819	Khogiani	42	368	272	160
0901	Mehterlam	42	360	280	160
1001	Asadabad	N/R	N/R	N/R	N/R
1101	Faizabad	-	380	240	160
1201	* Taloqan	41	415	208	160
1301	Baghlan	43	352	288	192
1302	Pulikhumri	43	352	290	180
1401	Kunduz	35	350	288	176
1403	* Imam Sahab	43	320	208	144
1464	Khanabad	41	320	272	156
1501	Aibak	45	384	256	224
1503	Khulm	44	320	264	224
1601	Mazar-i-Sharif	40	310	272	224
1602	Balkh	N/R	N/R	N/R	N/R
1701	Sheberghan	N/R	N/R	N/R	N/R
1704	Saripul	N/R	N/R	N/R	N/R
1706	Aqcha	N/R	N/R	N/R	N/R
1801	Maimana	N/R	N/R	N/R	N/R
1802	Andkhai	N/R	N/R	N/R	N/R
1901	Qala-i-Nau	N/R	N/R	N/R	N/R
2001	- Herat	41	400	460	260

SUNY Code No.	LOCATION	Wheat	COMMODITIES Vegetable Oil	Mutton	Beef
2101	Farah	48	320	480	256
2103	Shindand	47	410	400	220
2201	Zaranj	N/R	N/R	N/R	N/R
2301	Lashkar Gah	40	352	480	180
2303	Greshk	43	352	416	224
2401	Kandahar	45	352	496	224
2501	Qalat	44	320	400	240
2601	Tirinkot	N/R	N/R	N/R	N/R
2701	Chahcharan	N/R	N/R	N/R	N/R
2801	Bamiyan	46	365	256	192

Exchange Rate: US Dollar	1.00	=	Afs. 70.00
Pakistani Rs.	1.00	=	Afs. 6.55

* Denotes a price increase when compared with last week

- Denotes a price decrease when compared with last week

Food Commodities Daily Prices
From 3/24/73 To 3/26/73

Prices in Afs/Seer

LOCATION AND SUNY CODE NUMBER	DATE 3/24/73	DATE 3/25/73	DATE 3/26/73
<u>Kabul</u> (0101)			
Wheat	44	44	44
Vegetable Oil	336	336	336
Mutton	400	400	400
Beef	176	176	176
<u>Kandahar</u> (2401)			
Wheat	45	45	45
Vegetable Oil	352	352	352
Mutton	496	496	496
Beef	224	224	224
<u>Herat</u> (2001)			
Wheat	43	43	41
Vegetable Oil	400	400	400
Mutton	520	520	480
Beef	300	300	260
<u>Jalalabad</u> (0801)			
Wheat	43	43	43
Vegetable Oil	304	304	304
Mutton	320	320	320
Beef	160	160	166

LOCATION AND SUNY CODE NUMBER	DATE 3/24/73	DATE 3/25/73	DATE 3/26/73
<u>Mazar-i-Sharif</u> (1601)			
Wheat	42	42	42
Vegetable Oil	300	300	300
Mutton	400	400	400
Beef	240	240	240

Food Commodities Daily Prices
From 3/24/73 To 3/26/73

Price in Afs/Seer

LOCATION AND SUNY CODE NUMBER	DATE 3/24/73	DATE 3/25/73	DATE 3/26/73
Mazar-i-Sharif (1601)			
Wheat	42	42	42
Vegetable Oil	300	300	300
Mutton	400	400	400
Beef	240	240	240

SALES AT THE KABUL GRAIN BAZAAR THIS YEAR

PRODUCT	DATE 3/20/73 <u>Kilos</u>	DATE 3/21/73 <u>Kilos</u>	DATE 3/22/73 <u>Kilos</u>	DATE 3/24/73 <u>Kilos</u>	DATE 3/26/73 <u>Kilos</u>	DATE 3/26/73 <u>Kilos</u>	AVERAGE Per Day <u>Kilos</u>	Prices in <u>Afs/Seer</u>
Wheat	74,920	64,907	63,337	69,072	78,395	83,415	72,341	45
Flour	105,056	98,378	103,334	99,320	91,874	107,871	100,972	53
Corn	4,317	5,746	3,593	707	1,413	0	2,619	45
Corn Flour	6,432	3,431	2,826	1,413	2,826	1,419	3,058	32
Barley	7,036	11,034	8,421	0	3,533	2,120	5,357	23

SALES AT THE KABUL GRAIN BAZAAR A YEAR AGO

PRODUCT	DATE 3/20/72 <u>Kilos</u>	DATE 3/21/72 <u>Kilos</u>	DATE 3/22/72 <u>Kilos</u>	DATE 3/23/72 <u>Kilos</u>	DATE 3/24/72 <u>Kilos</u>	DATE 3/25/72 <u>Kilos</u>	AVERAGE Per Day <u>Kilos</u>	Prices in <u>Afs/Seer</u>
Wheat	4,973	13,792	17,056	18,317	14,632	15,016	13,964	78
Flour	30,340	35,333	42,315	47,213	32,036	30,410	36,275	85
Corn	707	0	0	1,413	0	707	471	61
Corn Flour	0	0	0	1,235	0	707	324	67
Barley	707	0	0	3,533	0	1,413	942	60

ARRIVALS AT THE KABUL GRAIN BAZAAR THIS YEAR

PRODUCT	DATE 3/20/73 <u>Kilos</u>	DATE 3/21/73 <u>Kilos</u>	DATE 3/22/73 <u>Kilos</u>	DATE 3/24/73 <u>Kilos</u>	DATE 3/25/73 <u>Kilos</u>	DATE 3/26/73 <u>Kilos</u>	AVERAGE Per Day <u>Kilos</u>
Wheat	74,376	78,940	82,732	93,210	90,645	70,660	81,760
Flour	105,275	98,643	115,342	105,275	98,643	109,372	105,425
Corn	14,132	9,875	11,679	0	5,017	0	6,784
Corn Flour	14,132	6,410	5,031	0	3,245	0	4,803
Barley	17,047	3,410	0	8,437	0	1,413	5,051

ARRIVALS AT THE KABUL GRAIN BAZAAR A YEAR AGO

PRODUCT	DATE 3/20/72 <u>Kilos</u>	DATE 3/21/72 <u>Kilos</u>	DATE 3/22/72 <u>Kilos</u>	DATE 3/23/72 <u>Kilos</u>	DATE 3/24/72 <u>Kilos</u>	DATE 3/25/72 <u>Kilos</u>	AVERAGE Per Day <u>Kilos</u>
Wheat	11,892	13,045	12,017	7,049	19,474	14,371	12,975
Flour	35,330	42,301	40,051	28,769	48,449	51,032	41,002
Corn	707	3,533	2,826	1,413	0	3,533	2,002
Corn Flour	707	2,826	2,120	0	0	2,826	1,413
Barley	1,413	0	2,826	0	0	5,431	1,611

KABUL WEEKLY PRICE REPORT

Date: July 5, 1973

COMMODITIES	GRADE	TODAY				LAST WEEK				LAST YEAR	
		AFS.	MU.	AFS.	L.U.	AFS.	M.U.	AFS.	L.U.	AFS.	L.U.
Wheat	1	6.51	Kg.	46	Seer	6.51	Kg.	46	Seer	63	Seer
"	2	6.22	"	44	"	6.36	"	45	"	60	"
"	3	5.66	"	40	"	6.08	"	43	"	57	"
Wheat Flour	1	7.50	"	53	"	7.50	"	53	"	70	"
" "	2	7.21	"	51	"	7.21	"	51	"	68	"
" "	3	6.65	"	47	"	6.79	"	46	"	66	"
Corn	1	3.11	"	22	"	3.25	"	23	"	60	"
Corn	2	2.83	"	20	"	2.83	"	20	"	N/A	"
Corn Flour	1	3.39	"	24	"	3.39	"	24	"	63	"
Corn Flour	2	3.11	"	22	"	2.97	"	21	"	N/A	"
Mung Beans	1	12.17	"	86	"	11.74	"	83	"	108	"
" "	2	11.03	"	78	"	10.75	"	76	"	90	"
Barley	2	3.26	"	23	"	3.11	"	22	"	34	"
Rice (Bareak)	Preshawar	22.64	"	160	"	21.93	"	155	"	150	"
" "	Dehradon	15.85	"	112	"	15.56	"	110	"	136	"
" "	Lawang										
	1	13.58	"	96	"	13.44	"	95	"	110	"
	2	12.31	"	87	"	12.02	"	85	"	100	"
	3	8.06	"	57	"	7.78	"	55	"	68	"
Rice (LOK)	1	15.56	"	110	"	14.85	"	105	"	110	"
" "	2	11.32	"	80	"	10.61	"	75	"	100	"
Mutton W/Bone		56.60	"	25	Pow	56.60	"	25	Pow	18	Pow
Beef, Boneless		36.22	"	16	"	45.75	"	18	"	12	"
Beef W/Bone		31.70	"	14	"	31.70	"	14	"	9	"
Oranges (Sweet)		-	"	N/A	Seer	-	"	N/A	Seer	112	Seer
Oranges (Sour)		-	"	N/A	Each	-	"	N/A	Each	N/A	Each
Lime		108.68	"	48	Pow	101.89	"	45	Pow	25	Pow

COMMODITIES	GRADE	TODAY				LAST WEEK				LAST YEAR	
		Afs.	M.U.	Afs.	L.U.	Afs.	M.U.	Afs.	L.U.	Afs.	L.U.
Sugar		24.00	Kg.	10.62	Pow	24.00	Kg.	10.62	Pow	10.62	Pow
Potatoes		4.52	"	32	Seer	5.09	"	36	Seer	28	Seer
Tomatoes		12.46	"	88	"	13.58	"	98	"	40	"
Eggplant		5.97	"	38	"	5.66	"	40	"	24	"
Onion (Red Skin)		5.09	"	36	"	5.66	"	40	"	16	"
Vegetable Oil Shapasond		47.55	"	21	Pow	47.55	"	21	Pow	22	Pow
Indian		-	"	N/A	"	-	"	N/A	"	N/A	"
Helmandi		-	"	N/A	"	-	"	N/A	"	N/A	"
Spinzar		45.28	"	20	"	45.28	"	20	"	N/A	"
Butter Fat	Cow	86.04	"	38	"	86.04	"	38	"	38	"
Butter Fat	Sheep	86.04	"	38	"	86.04	"	38	"	38	"
Sheep Fat	Tail Fat	60.40	"	28	"	60.40	"	28	"	28	"
Sharsham	(Oil Seed)	31.70	"	14	"	29.43	"	13	"	9	"
Zeghar	" "	30.22	"	16	"	31.70	"	14	"	12	"
Kunjid	" "	38.49	"	17	"	38.43	"	17	"	16	"
Tea, Black		131.33	"	58	"	126.80	"	56	"	60	"
Millet		3.53	"	25	Seer	3.53	"	25	Seer	90	Seer
Raisin		32.55	"	230	"	32.55	"	230	"	130	"
Cucumber		-	"	1.00	Each	-	"	1.00	Each	1.00	Each
Wood (Aroha)		0.96	"	6.75	Seer	0.99	"	7	Seer	9	Seer
Wood (Baloot)		0.99	"	7	"	1.13	"	8	"	9	"
Charcoal		2.40	"	17	"	2.54	"	18	"	16	"

Note: 1 Seer = 7.066 Kgs

Exchange Rate: U.S. \$ 1.00 = Afs. 62.00

1 Pow = .4416 "

Pak. Rs. 1.00 = Afs. 6.74

APPENDIX III

PHOTOGRAPHS OF THE MARKETING SYSTEM OF AFGHANISTAN



The Kabul Bazaar near the Grain Market



A small shop in Ahmad Shai Market



A melon wholesaler in the Kabul Melon Bazaar



A melon retailer in Kabul



Sewing up jute bags in the Khonabad Bazaar



Displaying plastic grain bags in the Kunduz Grain Bazaar



Grain merchants bargaining



Stone-cutters sharpening wheels used to grind salt.



Small wooden shops are moved from bazaar to bazaar on Karachi constructed of used automobile axles and wood



Balance scales are used to weigh products according to the local Seer



An itinerant merchant at Qarabagh



An itinerant cloth seller walking new Bamiyan



Quarabagh bazaar on a normal day



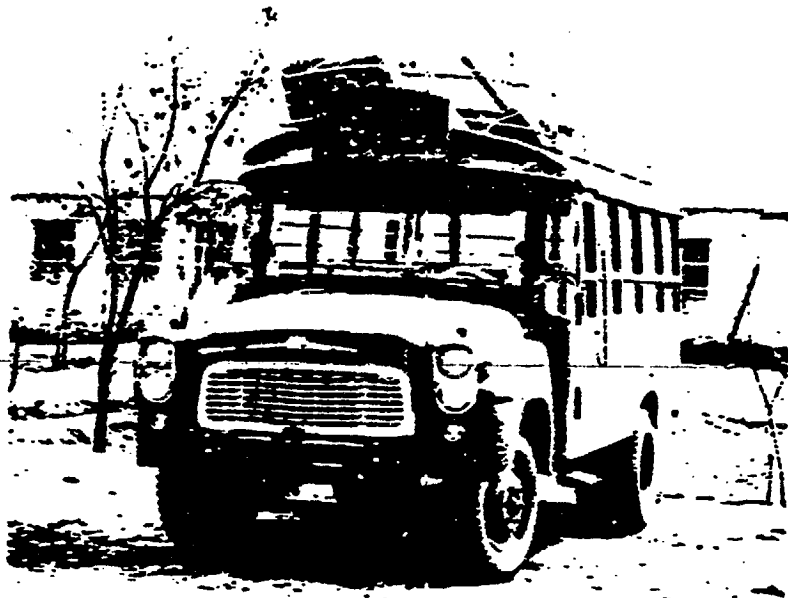
A Locksmith at work in Quarabagh



Turkoman women shopping in the bazaar in Mazar-i-Sharif



Shopping for remnants of cloth imported from Europe,
North America and Japan



A bus used to transport people and light goods from rural areas to urban markets



Villagers gathering to work on irrigation systems near Quarabagh



A spice merchant



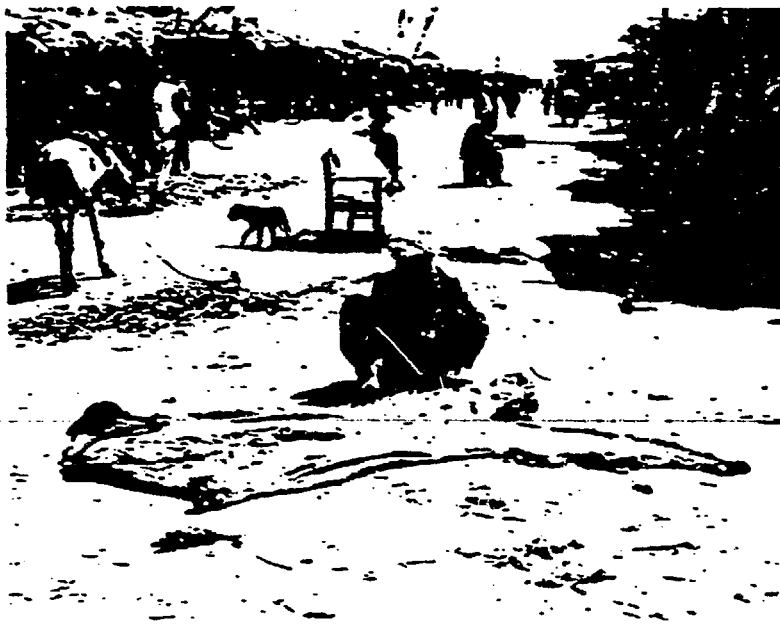
A barber and tooth extractor



Patent medicines and sundries are sold from a van that visits periodic markets in the Kodaman Valley



Grain sellers sift products to remove impurities



Processing a cowhide in the Qarabagh Bazaar



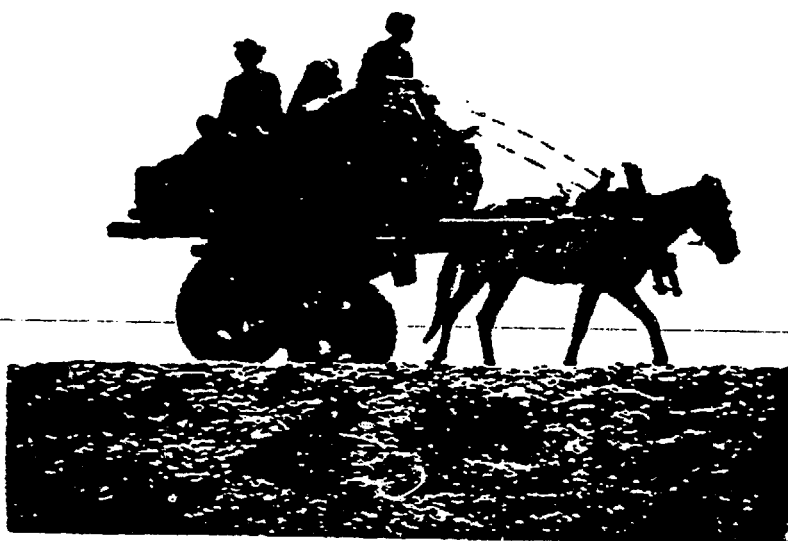
Hunters trap birds and sell them for food in rural bazaars.



Carrying melons from the farm to assembly points on the Kunduz-Kabul Highway



Unloading melons at the Kabul Melon Market



Farmers coming to market near Kunduz



Karakul sellers at Balkh